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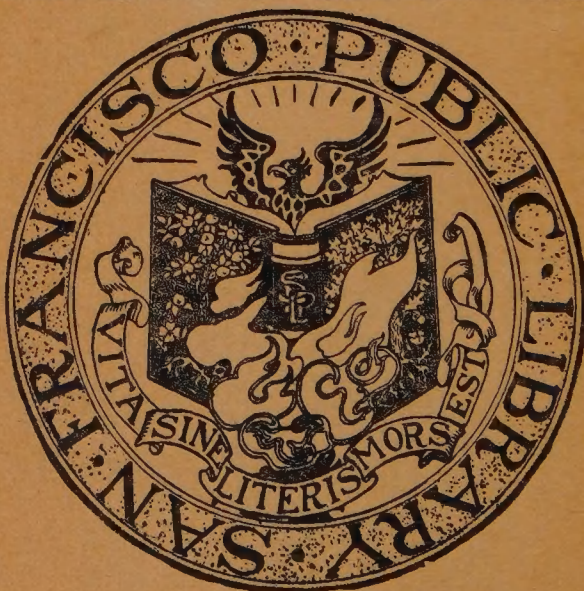
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# THE ECONOMICS OF COMMUNISM

WITH SPECIAL REFERENCE TO  
RUSSIA'S EXPERIMENT

BY  
LEO PASVOLSKY

FORMERLY EDITOR OF THE "RUSSKOYE SLOVO" AND  
"THE RUSSIAN REVIEW"

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## PREFACE

MY purpose in presenting these results of my study of the Russian experiment in the economics of Communism is not to show that this experiment has reduced Russia to a state of utter economic disorganization and ruin. This fact is readily apparent from the general economic information about Soviet Russia and is willingly admitted by the Soviet leaders themselves, who even claim it theoretically as an inevitable condition of the transitional period. Nor is it my purpose to demonstrate what is commonly termed the failure of the Soviet régime: "failure" and "success" when applied to huge movements are, at best, relative terms and depend on the standards which are applied.

My interest in the subject, and hence my purpose in writing this book, is threefold:

In the first place, the Communist régime in Russia in its economic phases interests me as an experiment. What is its fundamental theory? What does it aim to do? How is this theory applied? Into what forms does it translate itself? How does it work in practical application, i.e., what are some of the important results of the operation of these forms?

In the second place, the régime interests me from the point of view of its social-economic class ideas. It rests its historic case upon its claim to being a "workman-peasant" régime. Does it represent economically the

will of these two basic groups of the population of Russia? Does it serve their interests and consequently satisfy them?

In the third place, the régime interests me as the economic system which Russia has had for upwards of three years. As such, it has affected profoundly every phase of the country's life. Can it continue to exist in its present form? And if not, what are the basic factors of Russia's possible economic reconstruction under another régime?

On the first two of these points I have presented as far as possible information drawn from official Soviet sources. The statistics I have quoted may not be accurate; but if that is so, the fault rests with the Soviet statisticians, not with me. What I have attempted to do has been to present to my reader a systematized set of facts on the various phases of the economic situation in Soviet Russia, just as the official economic publications of the Soviet régime present these facts to their readers. While I realize that a wholly impersonal attitude to the subject is impossible, I have made every effort to keep my personal sympathies and antipathies out of the exposition.

On the third point, of course, I am thoroughly subjective, and for that reason I have treated it in the Conclusion, where I have indicated in bare outlines some of its salient features.

My study of the forms and the results of the Russian experiment in the economics of Communism is by no means exhaustive; it was not intended to be so. What I hoped to have accomplished was to give a picture, imperfect and incomplete though it be, of the manner



in which the experiment has worked out so far, and in this way to direct attention to its main features and to its implications for the economic future of Russia, which are so often overlooked or deliberately pushed into the background in the stress of political controversy and the storm of invective on both sides.

The information contained in this book on the results and problems of the Russian experiment in the economics of Communism covers the period from the beginning of the Revolution to the end of the second half of 1920: at the time when the manuscript was prepared for the press, official data were available only for that period. Since then, however, several important events took place in Soviet Russia, having considerable significance from the viewpoint of the economic experiment. While it is too late to incorporate information concerning these later developments in the main body of the book, I should like to say a few words here concerning their significance.

As will be readily seen from the material in this book, the Ninth All-Russian Congress of the Communist Party, held in April, 1920, formulated and sanctioned the system of the application of force in the industrial life of Soviet Russia. At this Congress, the Communist leaders asserted their belief that Communism cannot be established in Russia without the application of a system of economic compulsion. The Eighth Congress of Soviets, held in December, 1920, reaffirmed this policy of compulsion and extended it to the agricultural life of the country. Thus, the year 1920 ended with the policy of compulsion as the outstanding feature of

the whole Russian experiment in the economics of Communism.

But the year 1920 also ended with an almost universal realization, even on the part of the Soviet leadership, of the fact that, from the viewpoint of economic production, the situation in the country was rapidly becoming more and more desperate. Out of this realization there emerged the inevitable envisagement of the fundamental dilemma which the leaders of Communism must face and which may be expressed as follows:

*Communism is impossible without the application of compulsion in the economic life of the country; but economic production is impossible with the application of such compulsion.*

During the year 1920, the Soviet leaders attempted to break this dilemma, without solving it, and the results of this process have been truly disastrous for every phase of Russia's economic life. At the beginning of 1921, some of these leaders began, apparently, to change their course, and this change found its expression in the Tenth Congress of the Communist Party, held in March, 1921.

At this Congress, Lenin delivered a speech which has been hailed as a turning point in the policies of the Soviets, while the Congress itself was followed by three decrees of the Soviet Government, embodying some of the phases of this change of attitude. The first of these decrees substitutes a tax in kind for the system of government requisitions of the stocks of food raised by the peasantry, permitting the peasants to dispose of their surplus stocks of foodstuffs at will. The second decree makes it possible for workmen at different in-



dustrial enterprises to keep for themselves a certain part of the manufactured goods produced at their enterprises and exchange them with the peasants for food-stuffs. The third decree extends somewhat the local purchasing and selling prerogatives of the coöperative organizations, making it possible for them to act as direct intermediaries between the workmen and the peasants. All this refers to operations within narrow local limits and does not signify an establishment of freedom of trade on a national scale.

From the viewpoint of actual economic conditions, these measures merely constitute a legalization of the practices which had existed long before, as the reader will readily see by consulting Chapters III, IV, and V of Part Two, where we take up the crude and primitive forms of barter which had grown up on a vast scale in contravention of the official state monopoly of distribution. But from the viewpoint of the development of the experiment in the economics of Communism, these measures are very significant. They represent the first official, generalized acknowledgment of the breaking down of the state monopoly of distribution, the control over which constitutes admittedly the very basis of economic compulsion. Moreover, they indicate that the faith of the Soviet leadership in the efficacy of such compulsion, based on the application of sheer armed force, has been definitely shaken—at least for the time being.

There is no doubt that in advocating this change of policy and in forcing his views upon the Party Congress, Lenin, who sponsors the change, is moved by considerations of pressing expediency—under the influ-

ence of such potent factors as an acute food crisis, the Kronstadt rebellion, and wide-spread peasant uprisings. But this weakening of the régime of economic compulsion is regarded with great disquietude by some of the other leaders. Lenin is still opposed by the powerful Trotsky-Bukharin-Dzerzhinski combination, which demands a return to the policy of compulsion and argues that such half-measures as those which are being introduced under the policy sponsored by Lenin will have no economic efficacy, but are more likely to make imperative further concessions in the same direction, resulting ultimately in the denationalization of industry and the reëstablishment of freedom of trade on a national scale, i. e., a complete return to capitalism.

The two groups are now engaged in a bitter struggle within the Communist ranks themselves, and upon the outcome of this struggle will depend the next step in the economic activities of the Soviet régime, viz., further weakening or renewed stringency of economic compulsion. In either case, the crisis indicated by this controversy itself appears to us as an unmistakable sign of the fact that the Russian experiment in the economics of Communism is rapidly coming to an end. And the material gathered in this book presents a picture of the conditions under which this experiment developed through the stages which had finally brought it face to face with its fundamental economic dilemma: *Communism or Production?*

I wish to express my gratitude to numerous friends in Europe and America who helped me in the gathering of this material and placed at my disposal many



of the original documents quoted and translated here. I wish especially to thank Professor Samuel N. Harper of the University of Chicago, whose aid in the study and the analysis of this material has been of very great value to me.

LEO PASVOLSKY.

New York, May 1, 1921.



## FOREWORD

It is undoubtedly true that no peace that is real will come to the civilized world, until Russia finds herself and is restored alike to sanity of domestic action and to the place in the sisterhood of nations which is normal to her great resources and to the energy and thrift of her vast population.

Her present alleged rulers admit that their Communist régime cannot succeed unless it spreads to other lands and becomes a world movement. They have spared neither money nor effort to bring other countries into the fold of the Third International, but with scanty success. Indeed, it now plainly appears that the great inert majority in Russia itself opposes the methods of Communism as well as its theory, and that Lenin and his fellows control Russia only so far as they can reach with their army. The statement that their own success depends on the support of other nations is equivalent to an admission of that failure which all the world outside of Russia—save a few blind advocates—clearly sees.

It is of more present interest and future value to consider how and when the real Russia will assert itself, and what may then be done by us in her behalf. Her former economic organization is destroyed, but her huge undeveloped resources remain, and she still has latent the power to feed a large part of the world. It will be



a noble task when the hour strikes to go to her aid, to lend her a helping hand, to lift her to her feet, to aid her to self-help, to serve her as we would ourselves in like case wish to be served.

Mr. Pasvolsky does good service both to Russia and the world in throwing full light upon present conditions in that troubled land, and in so making clear alike the difficulty and the need to her and to us of her resurrection.

WILLIAM C. REDFIELD.  
Former Secretary of Commerce.

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# The Economics of Communism

## INTRODUCTION

### THE ECONOMIC THEORY OF COMMUNISM

THE theoretical basis of Communism, as far as actual statements of theory are concerned, is very limited. In its most general aspects, of course, Communism is founded upon the Marxian analysis, or, to be exact, upon Lenin's interpretation of the writings of Karl Marx and Friedrich Engels. But this foundation is much too general to be sufficient for the manifold ramifications of the experiment in Communism that is being made in Russia. Additions to it and, sometimes, detractions from it, are made by current writers on Communism in order to make it fit the conditions as they have unfolded themselves.

This sketch is an attempt to systematize in sheer outlines the theory of Communism which is being used by the Soviet leaders, particularly in the domain of economics, as a basis for the policies which they lay down and the institutions they build up, both through their experiment in Russia and through their attempt to extend this experiment on a world-wide scale by means of the Third or Communist International.

### 1. *The State and the Classes*

× Lenin's interpretation of the Marxian analysis is given in his book, "The State and the Revolution," written on the eve of the overturn of the Provisional Government.\* It begins with two fundamental entities, the *state* and the *classes*, and gives, first of all, the Communist views on the relation between the two. According to these views, the state is "the product and the manifestation of the irreconcilability of class contradictions." The state comes into existence when and where class contradictions cannot be reconciled. And conversely, the existence of the state is the proof of the fact that class contradictions are irreconcilable. Moreover, the state would never have been able to come into existence, if class contradictions could be reconciled.

Actively, the state is an attempt to moderate the acuteness of class contradictions. It achieves this by being an organ of class domination, an instrument of oppression of one class by another. In this way it becomes a force, placed above society, and striving constantly "to alienate itself from society as a whole." Its means are those of compulsion. Its weapons are the army, the police, the prisons, etc. In conditions  
\* of capitalistic society, the state is an expression of the system of economic exploitation of the oppressed class by the ruling class.

Since, according to the Marxian analysis, the trend of economic development is irresistibly in the direction

\* We are using here the Russian edition of this book, published in New York by the Russian Socialist Federation in 1919.

of such an organization of society in which the division into classes will be inevitably abolished and the classes as such will cease to exist, the state itself, being a product of class division, is bound to become superfluous. It was Engels who developed this idea of the "dying-off" of the state in the process of the economic reorganization of society, and Lenin's opponents use this as an argument against the methods of Communism as they are being applied in Russia, interpreting Engels' idea as signifying a process of social evolution. Lenin, however, interprets Engels differently. He considers that the idea of an evolutionary disappearance of the state refers to a stage in the process of the social revolution, specifically, to its *second* stage, while the first stage calls for different methods.

What takes place in the course of the social revolution, according to Lenin, is this: first, the capitalistic state is destroyed by means of a violent revolution, and its place is taken by a proletarian state, built objectively along the same lines; and second, this proletarian state gradually disappears, "dies off," and the system of Communism proper is established. In the course of the process the whole economic basis of social life undergoes a vital and radical transformation, and the state, which is the manifestation of one of its phases, also undergoes a metamorphosis.

This is the theoretical basis of the violent revolution which Russian Communism uses as the foundation of its whole method, and which is so vehemently rejected by an overwhelming majority of the other Socialistic groups.



*2. Socialism and Communism*

Thus, there are two stages in the establishment of Communism; the first is what is commonly termed Socialism, the second is what is known as Communism proper. Lenin, both through his own preference and on the authority of Marx, uses a different terminology: the first stage he calls, "the first or the lower phase of Communistic society"; the second he calls, "the higher phase of Communistic society." What are the distinguishing characteristics of the two phases?

Quoting Marx, Lenin characterizes the first phase as "having developed not on its own foundation, but grown out of the capitalistic society, and therefore preserving in respect to its economic, moral and mental characteristics the impression of the old society." What does this mean? Private property has been abolished. All the means of production and distribution are in the hands of the proletarian state. Every member of society, performing some useful work, receives a certificate to that effect, which entitles him to an amount of goods out of state warehouses, corresponding roughly to the amount of his production, less the amounts which are necessary for contribution to the common fund for the whole of society.

In this manner the first phase of Communism provides mechanical equality of distribution. But this equality is not true equality. On the contrary, it presupposes inequality, for persons doing actually unequal amounts of work receive equal amounts of products. In this way, the "equal right" of the first phase of

Communism is really the remains of the bourgeois system.

Again quoting Marx, Lenin characterizes the second phase of Communism as the time when "the difference in the attitude toward mental and physical labor will disappear; when labor will become no longer a means to life but will become the first necessity of life; when together with the all-sided development of the individual, the social productive forces will develop and the sources of social wealth will give their full product; when it will become possible to overstep the narrow horizon of the 'bourgeois right' and to promulgate the principle, 'From each individual in accordance with his abilities; to each in accordance with his needs.'"

The first phase of Communism, then, the period following the overthrow by violence of the bourgeois state and the establishment of a proletarian state, continues to be a period of compulsion. Using the modified form of the bourgeois system of distribution, establishing certain norms of reward for labor, it must have an apparatus for the enforcement of these norms. It preserves "a bourgeois state, but without the bourgeoisie." The classes have not as yet been wiped out entirely. The state is still the expression of the rule of one class over another. But now the ruling class is the proletariat. The state is now the expression of the dictatorship of the proletariat.

Under Socialism, or the first phase of Communism, society becomes one huge economic organization, controlled by the state. All the individuals constituting society become the employees of this state syndicate.

Discipline of the strictest nature is established. The work of each individual is controlled so that he would get in reward exactly what he produces. This "factory" discipline would exist until all individuals in society, or at least the majority of them, would learn to produce of their own accord as much as they are capable of producing. Compulsion and state control are expected to inculcate these habits of voluntary maximum production in every member of society, and particularly, in the "capitalists—the individuals who still retain their capitalistic ideas and habits—and in the workmen who had become corrupted by capitalism." When compulsion and control will have done their work and these new habits will have become firmly implanted, then both of these weapons will become unnecessary, and the proletarian state itself, as an instrument of compulsion, will become superfluous. It will disappear gradually, and humanity will emerge from the lower phase of Communism into the higher. At this point the general aspects of the theoretical analysis of Communism, as it underlies the Russian experiment, really end, and the more specialized aspects of it begin.

The writers on Communist theory are very fond of using Hegel's famous aphorism, "The owls of Minerva begin to fly about only with the nightfall." In other words, theories shape themselves to a large extent in the process of application. The salient features of the Communist theory which we have sketched so far on the basis of Lenin's book, represent the deductive foundation of the theory as it is being applied. Now begins the inductive part.



### 3. *The Collapse of Capitalism*

The only work that has appeared so far on the theory of the collapse of capitalism through its violent overthrow by a social revolution is a recent book entitled: "The Economics of the Transitional Period: the General Theory of the Transitional Process,"\* by Nicholas Bukharin—the most prolific Communist writer on questions of theory. In this book we have what another Communist writer has called "the algebraic formulæ of the social revolution."

The outstanding consequence of the world war has been the production of a profound economic crisis all over the world and the menace of a social revolution in every country affected by this crisis. Bukharin considers that the word "crisis" which is used widely to describe this condition of the world is not correct. What has happened really is a catastrophe, which is bound to prove fatal for the whole system of capitalism. It is the beginning of that collapse of capitalism which is foretold as inevitable by the Marxian analysis.

What were the factors that brought on this catastrophe, and what are its implications from the point of view of the theory of Communism? The answer to these questions Bukharin finds in the "structure of the world capitalism before the war" and in the effects which the war has had upon certain vital characteristics of the capitalistic system.

\* The full text of Bukharin's book is, unfortunately, unavailable in this country. We are using as the basis of this part of our work a long review of the book, containing copious quotations, by C. V. Chlenov in *Ekonomicheskaya Zhizn* (The Economic Life), an official Moscow publication, July 17, 1920.

The general trend of economic development before the war was to bring the whole world together into a single economic system. This was made possible, theoretically, by the conditions which attended the division of labor and by the institution of exchange of goods. This world system consisted of separate economic units, each one organized internally, but competing among themselves. Thus the whole system was an "anarchic" one, without, on a large scale, unified and organized leadership. Its strongly marked tendency, however, was toward internal concentration within the boundaries of separate states. The development of financial capital was in the direction of destroying competition and consequently, "anarchy." But, as this internal competition within states with a large degree of capitalistic development was giving way to comparatively complete unity, each state merging more or less into an economic complex, there began to emerge a similar rivalry on a world scale among these economic state-complexes. In this world-wide competition, the contradictions, inherent in capitalism, found their maximum development, and took the form of the system of imperialism.\* Outstepping national boundaries, capitalism preserved its basic "anarchic" characteristics.

The world war has had a tremendous influence upon the character of the whole capitalistic system. It called for greatly increased internal organization and concentration of economic functions within the state-complexes. As a result there has grown up in all the

\* The development of economic imperialism as the outstanding feature of the world economic situation is taken up at great length in Lenin's principal speech at the 2nd Congress of the Third International.

economically developed countries of the world what Bukharin terms "state-capitalism." The state has now become the controlling factor in economic production. But the state itself is an instrument in the hands of the ruling class. Thus, the concentration which has taken the form of state-capitalism and which has introduced new factors into the system of world imperialism, is, in reality, the highest development of financial capitalism. Bukharin characterizes this process as follows:

The reorganization of the productive relationships of financial capitalism (due to the creation of state capitalism. —L. P.) follows the road of a world-wide state-capitalistic organization; a transformation of money into a unit of accountancy; organization of production on a national scale; and the subjection of the whole international economic mechanism to the aims of the world competition.

But the war has had another effect that is far-reaching and vitally important. In order to carry on the war and really create the system of state-capitalism, the bourgeois governments have found it necessary to subordinate to themselves the class organizations, both of the bourgeois and of the proletarian classes. And this subordination, as far as the proletarian class organizations are concerned, has resulted in setting into motion within them strong currents, which, in turn, serve to accentuate and render more acute the principal factors of class antagonism.

Moreover, the world war has played havoc with all the factors determining the productive forces of the countries concerned. The immediate outcome of the

war has been a contraction of production, which, in turn, has resulted in a contraction of consumption, and the consequent further impairment of labor, as an all-important factor in the determination of the productive forces. All this inevitably operates toward disintegrating the productive relationships of society, i. e., the relations among the various factors that determine production, which constituted formerly the basis of the whole economic system of capitalism. This disintegration exhibits itself, first in all forms of impairment of labor discipline, and finally in a revolutionary breakdown, i. e., refusal on the part of labor to obey the capitalistic class. And this can result only in a catastrophe, which must cause the collapse of capitalism.

The implication of this part of the economic theory of Communism, as presented by Bukharin, is that the moment of such a collapse has arrived. On the basis of the Communist analysis of the world economic situation, this theory states that "the period of the breakdown has set in definitely, and there are no symptoms of a regeneration of the old system of productive relationships."

#### *4. The Economic Dictatorship of the Proletariat*

The collapse of capitalism must be followed by a period of transition to the first phase of Communism. The form of this period of transition is, basically, the economic dictatorship of the proletariat.

Bukharin makes a point in this connection which is considered a contribution to the economic theory of Communism. He asserts that, just as it is impossible



to establish a proletarian state without first overthrowing by force the bourgeois state, so it is impossible "to conquer in its entirety the economic apparatus of society." This apparatus must be broken up, and "disintegration and productive anarchy are the inevitable stages through which we must pass."

This follows logically from the whole theory of the collapse of capitalism. We have already seen that, according to the theory, this collapse must be cataclysmic and must find expression in the breaking down of productive relationships. But production, which is the basis of human life, is possible only if the various factors in production coöperate for a definite end. Once this coöperative relation is broken, production becomes no longer possible. The most important cause of the collapse of capitalism is the refusal on the part of labor to continue to produce. According to the Communist theory, this is the revolutionary and the only way to effect the transition from the capitalistic to the communistic economic order. And this is, of course, nothing else than the break-up of the existing economic apparatus of society. The period of the break-up must, obviously, be followed by a period of getting the fragments together again for a new economic structure.

The proletariat is the force that overturns capitalism. How does it do this? By organized effort, applied in the form of revolutionary upheaval. But such effort presupposes internal organization. Moreover, it presupposes the continuation of this internal cohesion within the ranks of the working class after the period of the disintegration of capitalism. In the general breakdown of the links that hold organized society

together, the links that produce the internal cohesion within the ranks of the proletariat must remain intact or nearly intact. Only in such conditions can Communism triumph.

The proletariat, then, "trained, unified, and organized through the mechanism of the capitalistic productive process itself," must be the active force not only in the overthrow of this mechanism, but also in the construction of the new apparatus of production. Remaining over from the preceding epoch, less impaired in its internal unity than any other social group, the organized proletariat now changes from the exploited class to the ruling class. It returns to production as its master, not its servant. It establishes its economic dictatorship, just as by breaking up the old bourgeois state and seizing governmental authority, it establishes its political dictatorship.

Two other things remain over from the period of the collapse, viz., the undestroyed material equipment, machinery, buildings, etc., and the specialized and trained managing and technical personnel, "the ex-bourgeoisie of the organizing type and the technical intelligentsia." With these three elements at hand, the proletariat can, theoretically, begin constructing the new apparatus of production.

In its system of organization it must preserve the old hierarchical form. That is necessary for purposes of productive discipline. This means, specifically, that "the technically trained intelligentsia is above the great masses of the working class." But this refers only to its technical duties, for at the same time, it must "obey

the collective will of the class," which now holds in its hands the economic dictatorship.

The theory of Communism thus makes the economic ruin which has attended the experiment in Russia an inevitable attribute of the transitional period. Bukharin states this bluntly by asserting that "the proletarian revolution is accompanied by a very great impairment of productive forces." But this is the price which society must pay for its progress. Bukharin further states that "in a society based on class antagonisms, the development of productive forces is possible only through their periodic destruction." In the capitalistic society, the wars and the crises are such periods of destruction, which eventually lead to greater development. But there is a stage at which a crisis passes over into a revolution, when the contradictions of capitalistic society can resolve themselves only in a violent internal clash which overthrows those very forms of capitalistic society that lead to these contradictions. The price for such an upheaval, which aims at freeing the economic effort of mankind from the chains of the contradictions of capitalism, must, naturally, be greater.

### *5. The Dictatorship of the Communist Party*

Bukharin's theoretical analysis so far, while based inductively on the Russian experiment, still follows more or less general lines. Problems in the nature of the exigencies of the transitional period arise and need a theoretical motivation. The most important of these problems is that of the mechanism of social compulsion.

Both Lenin's deductive analysis and Bukharin's

inductive development of it, speak of a politico-economic dictatorship of the proletarian class. But even theoretically, the class is still permeated with much of the social psychology of the bourgeois period. The class itself needs leadership. So the theory of class dictatorship is amended to meet the situation. It develops into a theory of "a determined minority" within the proletarian class, and this minority takes the form of the Communist Party. This part of the Communist theory was developed in the "Resolution on the Rôle of the Communist Party in the Proletarian Revolution," adopted by the Second Congress of the Third International in July, 1920.

The Resolution states that the working class as a whole is divided into groups, trades, professions, etc. Each one of these groups has interests of its own, independent of the great historic interests of the class as a whole. At times, group interests may interfere with class interests. Yet for the processes represented by the Communist movement, it is vitally important that these class interests be upheld all the time. This can be done only by a determined minority within the working class itself, which would have no interests "different from the interests of the proletariat as a class," but which would, at every phase of the movement, be cognizant of the "whole historic path of the proletariat." The Communist Party, then, is a part of the proletarian class, but "its most advanced, class-conscious, revolutionary part," brought into being through a process of natural selection among the most



"class-conscious, self-sacrificing and far-sighted workmen."

The Resolution promulgates the principle that the Party is always right, even when its decision goes counter to the wishes of the great masses of the working class itself. Thus, in a system in which the proletariat, as a class, establishes its dictatorship over all the other classes of the population, within this class itself, a small determined minority becomes its own dictator, and, consequently, the dictator of the whole mass of people covered by the system. Politically and economically, the Communist Party is the arbiter of the whole new social order. All the instruments of social compulsion, political and economic, must be centered in its hands and placed under its undivided control.

The Resolution further asserts that the Communist Party must remain a minority of the working class as long as such means of influence over the working class, as the school, the parliament, the church, etc., remain in any form in the hands of the bourgeoisie. After that the Party may give up its nature of a closed and self-perpetuating group which it has now, and admit all workmen into its ranks. But it must continue to have a hegemony over all social activities of society until the time when classes themselves will have disappeared, i. e., until the first phase of Communist society will have become transformed into the second.\*

There are two other features of the deductive theory

\* For complete text of this Resolution see Memorandum, entitled, "The 2nd Congress of the Communist International," published by the Department of State, 1920.

which have undergone transformation in the inductive theory that is being applied to-day. The first is concerned with the reward for special or technical services; the second with the general reward for labor based on the theory of distribution.

Marx, on the basis of the Paris Commune of 1871, proclaimed as a guiding principle for the period immediately following the overthrow of capitalism, the establishment of equal reward for all workmen, officials, managers, etc.\* This principle was early subjected to an alteration in the Soviet régime in Russia.†

But more important than that has been the introduction of premiums and penalties, and the whole system of distribution built thereon. The theoretical justification of the system of premiums is given in the resolution on premiums, adopted by the Russian Communist Party at its Ninth Congress, in April, 1920. As for the whole theory of distribution, we have the following concise statement of it from an authoritative source:‡

The regulation of distribution in a Socialist state or in a state that is on its way to Socialism, cannot be considered merely from the point of view of consumption. It is not the interests of the consumers, or, in the best event, it is not *only* their interests that should determine the distribution policy of a Socialist state, but the interests of the state as a whole.

It is upon this theory that the system of classification of food rations is based; that workmen are divided

\* The State and the Revolution, p. 16.

† Lenin, "The Current Problems of the Soviet Authority," New York edition in Russian, 1918.

‡ The principles of Distribution, art. in *Ekonomicheskaya Zhisn*, June 29, 1920.

into groups in accordance with their importance for the given industry, etc.

There have been other modifications of the original theory, but these are the most important ones.

Such, then, are the salient features of the Communist theory as it is being applied in Russia in the course of the experiment in the economics of Communism. This is what the Communist leaders have set out to do. In the chapters that follow we shall obtain a glimpse of what they have done so far in actual practice and of the methods that they have employed.





PART ONE  
THE SOVIET ECONOMIC SYSTEM



## CHAPTER I

### THE UNIFIED ECONOMIC PLAN

THE economic mechanism which the Soviet régime has built up in Russia is characterized most prominently by the simplicity of its plan and the awkwardness and complexity of its actual construction. The simplicity of the plan is, no doubt, due primarily to the fact that its various stages were designed theoretically, very often with an utter disregard for practical considerations. The complexity and the imperfection of the structure, as expressed in the actual results, are due, no doubt, to the character of the materials with which the régime had to work.

The plan, underlying the whole Soviet economic mechanism, is made up, primarily, of two elements, viz., unity and hierarchy. The first of these elements calls for an effective coördination of the various phases of the whole country's economic life and a concentration of the control over these various factors. The second makes it imperative that these various factors be classified and then subordinated one to another in an ascending order.

The Soviet economic mechanism built on this plan may be represented diagrammatically as follows: At the

bottom we have the great masses of the people, the millions of individuals who are, economically, producers. These masses are essentially inert. The more active elements among them are united into trade or professional unions, coöperative organizations of all kinds, communal units, etc. All these organizations, termed the productive associations, operating in industry, agriculture, the institutions for the exchange of products, etc., being the active elements of the great basic masses, serve, in some ways, as the directing factors for these masses. But they are, according to their social-economic peculiarities, narrowly class organizations: the trade unions represent industrial production, while agricultural coöperatives and communes represent rural production. Their activities must be coördinated; otherwise economic unity is impossible. This unity is achieved through the Soviet State, which has its expression in the Soviet Government, representing both of these great classes, the workmen and the peasants. The Soviet Government, operating through its various departments, has political functions, as well as economic. It is, in turn, controlled by the Communist Party, which thus concentrates in its hands the control over both the economic and the political mechanism of the country. The Party is a group of restricted membership, consisting of the "vanguard of the proletariat," arrogating to itself the prerogatives of the leader in the Social Revolution.

These are the four stages of the hierarchy. The lowest stage is inert and passive from the point of view of directing functions. The other three stages are



active in an ascending degree, which reaches its maximum development in the Communist Party. And at this highest stage, the directing functions extend not only over the immediately subordinated stage, the Soviet Government, but also over the other active stage in which the Communist Party exercises its control through Communist groups in the various organizations.

Neither this mechanism, however, nor its underlying plan, was thought out and prepared in advance before the revolution. It grew in the process, and in the course of events its different parts were literally piled one on another.\* The carrying out of the various phases of the plan and the construction of the different forms of the mechanism proceeded under the pressure of necessity; hence, in so many respects, their complexity and their cumbersome nature. Many of these phases of the plan resulted in forms that are quite different from those expected; for the need of hurried adaptation naturally took its toll of theoretically assured efficacy.

The Communist economic analysis as it gradually formulates itself into practicabilities, is not based altogether upon theory, but to a large extent upon the Russian experiment in the economics of Communism; for in Russia Communism began its career without clear

\* The question of the unified economic plan in its entirety did not assume much of the clarity that it now has until the Ninth All-Russian Congress of the Communist Party, held in April, 1920. Until that time, it was more or less hazy and unformulated. As for the formulation of the whole Communist economic analysis in its larger aspects, it dates back only to the Second Congress of the Third International, held in Moscow in July and August, 1920. The resolutions adopted at this Congress present this analysis for the first time with a definiteness and clarity springing from Russia's experience for the past three years and the perspectives of international affairs.

theoretical formulation or even a definite program of economic activity and organization in the domain of both production and distribution. Its leaders, scarcely prepared for the ease and the rapidity with which they were able to seize governmental authority, had no time for preparatory work in the domain of economics. It was all they could do to cope with the huge political problems piled high before them by their sudden victory. It is true that the economic situation of the country was already desperate. Never powerful and smooth-running, the industrial and trade apparatus of Russia was badly shaken up by the war. In its already weakened condition, the new demands placed upon it by the first, the republican period of the Revolution, constituted quite a shock. Yet in their criticism of Russia's economic situation under the Socialist-Liberal régime of the Provisional Government, the leaders of Bolshevism who, later on, became the guiding spirits of Communism, were content with demagogical attacks and the alluring doctrine of destruction. "Loot the Loot" was their watchword, and with this slogan on their banners, they entered upon the work of building up a new system of economic organization.

The difficulties which the Bolsheviks faced at the very start cannot be gainsaid. It is true that through their seizure of governmental authority they received into their possession, for purposes of experimenting in Communism, a country of almost unlimited natural resources, but these resources are available to only a small extent, because of the country's lack of economic development.

The creation of an economic apparatus for the utiliza-

tion of these resources, always hampered in its development by the bureaucratic system of the Imperial régime, had been built up on the bases of capitalism, i. e., on private initiative of the entrepreneur and individual reward for his activities. Whatever remained of this apparatus after the war and during the first period of the Revolution was naturally permeated by the psychology created in the whole course of its development.

The bourgeois class, whose initiative and guidance still, to some extent, controlled and directed this apparatus, when it faced the Bolshevik *coup d'état*, proved to be far too weak to offer an effective resistance to the establishment of a régime which, at that time, at least, spelled ruin to it. And yet it was strong enough and deeply enough set in its habits of thought and of action to refuse submission to the new régime. This attitude of passive resistance robbed the economic apparatus of its directing power.

The working class, through the months of the revolution that had already elapsed, became more and more determined to interpret the revolution in terms of immediate material benefits. The doctrine of Socialism, preached to them in the "simplified" forms of propaganda pamphleteering and ignorant agitation, assumed for them a significance which they themselves wanted to read into it. Taken in its entire, perhaps Utopian, ideology, this doctrine means such an organization of society in which there is the least possible wastage of human effort in unproductive work, in other words, freedom *for* work, in the broadest meaning of that word. But the agitation that was carried on in Russia in all the

uproar and dazzle of revolutionary demagoguery was easily enough interpreted by the rank and file of the proletariat as signifying freedom *from* work. Those who were preaching Bolshevism, at that time still marching under the guise of an extreme wing of the Social-Democratic movement, were, of course, deliberately responsible for this demoralization, which, at the very outset, became one of the gravest difficulties that the Soviet régime itself had to face.

To these difficulties which constituted the economic legacy that the Soviet régime received from the preceding period, there was added another difficulty of an even more serious nature, imposed upon the régime by the very essence of its doctrine. The task it faced consisted not alone in rebuilding the economic apparatus and organizing productive effort, but in placing both upon an entirely new basis. The Bolsheviks set out to purge the economic organization of Russia of its capitalistic spirit and to breathe into it their version of the Socialistic spirit. And it, indeed, required temerity, to say the least, to plunge into such an enterprise and to attempt such an experiment, when the subject of the experiment was already tottering and was scarcely held together by the inertia of those very habits which it was determined to destroy.

The tactics of this first stage of the transitional period, as formulated by Lenin, required the process of piling a sufficiently large number of the fragments of the existing order, before starting to build the new order. The tactics made imperative by the need of gaining the favor of the masses required a demagogical appeal to their instinct of destruction. In either case,

the tactics used tended to bring results desired by the Bolshevist leaders. These tactics were adhered to in activities along economic lines, as well as along political lines.

It was not until a much later period that an economic program formulated itself and an economic system was worked out. To-day this system consists of three elements: industrial production, coöperative distribution, and agricultural production. Each of these elements has now reached a certain degree of development in the form which the application of the Communist theory requires. But before this degree of development was reached, each one of these elements passed through a number of stages, that contributed to the manner in which it finally shaped itself. In the succeeding chapters we shall take up these various stages and block out, in general outlines, the picture of each one of these three elements of the Soviet economic system, operating as a mechanism, under a unified plan of hierarchical centralization and coördination.



## CHAPTER II

### NATIONALIZED PRODUCTION

THE first element of the Soviet economic system is the nationalized form of industrial production. The term "nationalized production" has significance along two fundamental lines: the question of ownership and the question of operation, which resolve themselves into the matters of general supervision, management, technical operation, and the disposal of the product created. From the point of view of industrial production, the Soviet system has passed through two stages: first, the preliminary stage of labor control, and then the stage of nationalization proper.

#### 1. *Labor Control*

As far as the Russian industrial proletariat was concerned, the process of piling up fragments of the old order was proceeding for months before the Bolshevik *coup d'état* with the strength of an elemental movement. Those who inspired the working masses by their propaganda and agitation, laid particular emphasis on the physical fact of ownership as the fundamental factor in the economic condition of the working class. It was easy enough to convince the masses of the proletariat, aroused to a state of unprecedented tension by

the March Revolution, that the abolishing of capitalism meant simply the establishment of their control over the already existing enterprises. The seeds of agitation thrown into this soil grew up in the course of this period into two movements, as elemental and unformed in their nature as was the whole agitation among the laboring masses during this period. These two movements were the formation of factory committees and the growth of the trade or professional union movement.

The factory committees represented a direct outgrowth of the very first period of the Revolution. Frightened by the suddenness and the magnitude of the events that so swiftly unfolded themselves in March, 1917, many heads and managers of governmental, as well as private, institutions and enterprises fled from their posts, and in order to carry on their work, committees of workmen and employees were formed. A more or less permanent and increasingly insistent movement grew out of this purely accidental beginning.

As time went on and as the agitation of the extremist elements increased in extent and in intensity, these factory committees began to dispute seriously industrial authority with the returned or the remaining owners and managers. While not really having a legal status under the Provisional Government, the factory committees gradually came to exercise an almost directing influence among the workmen. They were looked upon as the possible instruments of labor control over the productive apparatus, certainly as the immediate instrument in the hands of the working class for enforcing its demands. "Labor control, through the instrumentality of the factory committees," became the watch-

word which the masses of the workmen readily accepted, and which the leaders of Bolshevism seized upon and cultivated very assiduously.

In discussing this side of the Bolshevik program, shortly before the November overturn of the Provisional Government, Lenin formulated the rôle of labor control in the establishment of Communism, through the substitution of "armed workmen" for "capitalists and officials" for purposes of controlling production and distribution, as follows:

Such control is the most important thing that is necessary for the proper functioning of the first phase of Communistic society. All citizens then become employees of the state, just as the armed workmen. All the citizens become the employees of a single state "syndicate," comprising the whole nation. The important thing is that they should work equally, conscientiously, and be paid alike.\*

Of course, this was not the same kind of labor control as the workmen thought they were getting on the basis of their experience with the factory committees. But that did not matter, for "labor control" was, first of all, important as a slogan. The niceties of interpretation, even when they were of determining character, did not appear until later.

One of the first acts of the Soviet Government was the legalization of the factory committees. The decree concerning the establishment of labor control through the instrumentality of factory committees was issued on November 14, 1917. This decree did not contemplate the nationalization of industry, i. e., the confisca-

\* V. Ilyin (N. Lenin), "The State and the Revolution," p. 42.

tion by the state of the various enterprises. On the contrary, it contemplated the continuation, at least for the time being, of the system of private ownership of the various enterprises, but it officially placed control over the financial operations of each enterprise, over its supply of fuel and raw materials, its technical personnel, and other matters of vital importance in the hands of the workmen employed at the given enterprise.

Each enterprise, then, continued to be considered as a unit, and the factory committee in each of them, while realizing labor control, still had isolated and local character. The decree proposed to eliminate this and introduce coördination among different enterprises and groups of enterprises by the creation of provincial, regional and All-Russian Soviets of Labor Control. But the Soviet régime immediately encountered difficulties and conditions, which made it imperative to adopt an entirely different policy.

The first difficulty was the resistance of the owners of enterprises and of their managing and technical personnel. This resistance took the form of what the Soviet authorities have termed "sabotage," which meant refusal on the part of owners, managers and specialists to accept the conditions of labor control imposed upon them by the decree of November 14. The only possible penalty which could have been imposed upon the "saboteurs," short of capital punishment (which began to be applied much later), was the confiscation of their enterprises. The management of such confiscated enterprises had to be placed in the hands of factory committees, as the only institutions available which were at all suited for such a purpose. Thus, by force of

necessity, the Soviet Government found itself impelled to place in the hands of factory committees functions which went far beyond those of labor control, viz., functions of factory management.

The second difficulty lay in the fact that the rank and file of the workmen placed a different interpretation on labor control from the one which was formulated in theory by Lenin and applied in practice through the decree of November 14. From the very start, two diametrically opposed tendencies developed in the factory committees movement. The first tendency was for the retention of the capitalists and the preservation of labor control within the limits prescribed by the decree. The second and the more widely accepted tendency, urged by the central organization of the factory committees movement, was for the elimination of the capitalists and the concentration of all functions of management in the hands of the factory committees.\* The second tendency had practical results, as well as considerable influence. Many industrial enterprises were simply seized by the workmen outright, the owners and the managers were driven out, and the management fell into the hands of the local factory committees.

Thus, in the process of their economic work at the very beginning, the Soviet leaders realized the need of some central institution whose work would not be limited to control alone, but would extend considerably outside of it. It required months to work out even the first outlines of such an institution, and in the meantime labor control remained ostensibly the economic

\* *Soviet Yearbook*, published by the All-Russian Central Executive Committee. Moscow, 1919, p. 113.



system under which Russia worked, while the factory committees continued to be the instruments of this system, carrying out functions for which they were not at all prepared.

The difficulties encountered were piling up thick and fast. Many of the larger enterprises of the country showed such determined resistance to the introduction of labor control, that it became necessary to confiscate them during the early stages of the régime. For example, the powerful group of metallurgical enterprises in the Ural district, one of the most important metallurgical centers of Russia, had to be nationalized in this manner during the first two or three months of the Soviet régime. The coal industry was also nationalized very early.

The management of these vitally important enterprises was given over to the factory committees. The results of this management proved disastrous in two ways: the productivity fell off catastrophically, while the expenses increased by leaps and bounds. The first result was due to the fact that in the enterprises nationalized during this first period, the specialists were either killed off or driven out. There was no one to take their places at the responsible positions which they had occupied. Under those conditions, the factories, foundries and mines, run by committees of workmen, chosen, besides, for political rather than for practical reasons, could not continue to operate with anything like their normal degree of efficiency.

The character of management provided by the committees of workmen in the absence of specialists alone would have been responsible for an increase in expenses.

To this was added the tremendous rise in wages, as well as a very rapid decrease in the number of working hours. The first two months of labor control produced a deficit of nearly two billion roubles, which had to be covered by the state treasury. The period of labor control and of the active work of the factory committees lasted until the summer of 1918, when the work of nationalization was in full swing, and the system of the councils of national economy, through which the work of nationalization was carried out, was in more or less efficient operation. During this early period, also, the factory committees had to encounter active competition on the part of the other phase of the labor movement which developed during the first period of the Russian Revolution, viz., the trade or professional unions.

The difference between these two forms of organization is obvious, of course. The factory committees are local and represent all the kinds of workmen employed in a given enterprise. The trade and professional unions have a much wider area of operation and unite those engaged in a given trade or profession, rather than at a given enterprise. The two organizations, however, came in conflict over the questions of control at the factories and foundries. The unions refused to abdicate what they considered their rights of control in favor of the factory committees. The committees, on the other hand, refused to give up to the unions any part of what they considered their control prerogatives. The competition grew particularly when first attempts were made to unite the factory committees into group, provincial and regional associations.

The unions saw in this a menace to their own development.

At the First All-Russian Congress of Trade and Professional Unions, held January 3-9, 1918, and representing nineteen associations with a membership of 2,532,000, a resolution was adopted, calling for a merging of the two movements, in order to destroy the parallelism which was created by their activities independent of each other. According to this resolution, the committees were to remain in existence, but were, thenceforward, to act merely as the local organs of the trade and professional unions. At a united conference of the committees and the unions, held in February, 1918, this system was adopted in its entirety.

The definite establishment of the system of nationalization in industry soon restricted very considerably the scope of activities of both the unions and the committees. Starting as preëminently economic movements, very much along the lines of syndicalism, both of these phases of the labor movement have been gradually losing their more or less independent character and have become fitted into the scheme of hierarchic subordination under the unified economic plan. And it was only natural that different tendencies should have developed within the trade union movement as to the rôle which these labor organizations should play in the economic life of the country.

The mutual antagonism among these various tendencies came to a head at the beginning of 1920, when two important measures were taken by the Government, viz., the militarization of labor and the introduction of individual management in industry. As a result of

this, the semi-syndicalist movement again began to demand independence for the trade union movement to the extent of insisting that all economic functions, so far as industrial production is concerned, should be placed in the hands of the trade unions. The outcome of the conflict, which was finally fought out at the Third All-Russian Congress of the Professional and Trade Unions, in April, 1920, was that the status of the unions was definitely established in the sense prescribed by the general economic plan.

## *2. Nationalization*

The transition from the preliminary stage of labor control to that of nationalization was gradual and a matter of months. As we have already noted, the nationalization of industry was not at the beginning carried out by the Soviet régime as a part of any constructive plan, but rather as a punitive measure in the guise of confiscation.

During the first six months of the Soviet régime, i. e., by May 15, 1918, two hundred and thirty-four enterprises were nationalized, half of them for resistance and sabotage. Since, during the latter part of this period, the nationalization of industry was already proceeding in a more or less organized and systematic manner, this figure is a very fair indication of the fact that during the first months of the régime, accidental confiscation, rather than systematic and planned nationalization, was the rule. This refers, of course, to industry only. The first attempts at nationalization were in the domain of finance; the decree concerning the

nationalization of private and commercial banks was issued on December 15, 1917. But the considerations which dictated this early effort of nationalization were fiscal and political rather than economic. The chief reason was the desire on the part of the Government to lay its hands on the deposits and current accounts at these banks, and particularly, on the contents of the safety deposit vaults. This early nationalization of the banks was not a part of any economic plan.

In discussing the course of the putting into operation of the system of nationalization, R. Arsky, who is one of the best of the Soviet economists, speaks of this early period as follows:

At that time there could not be any question of a consistent and economically planned nationalization of industry. It required a considerable period of time for the proletariat to realize the necessity of a definite plan in the application of nationalization.\*

The nationalization of industry was begun in 1917. The Putilov foundries, for example, were nationalized by the decree of December 29, 1917. The first industries to be nationalized were the "heavy," the basic ones: coal, iron, metallurgy, transportation. After the Ural metallurgical enterprises, attempts were made to effect the nationalization of the Donetz coal basin and the South Russian iron fields and metallurgical works. But these attempts were interrupted by the German occupation of South Russia, following Hetman Skoropadsky's accession to power.

\* R. Arsky, "What the Proletariat Has Gained through Nationalization." Art. in *Vestnik Zhisni*, No. 3-4, published by the All-Russian Central Executive Committee. Moscow, 1919.



After the effects produced by the Brest-Litovsk peace wore off somewhat, the work of nationalization was resumed and continued at an increasingly rapid tempo. During the first period (up to May, 1918) about fifty enterprises per month were nationalized and confiscated. After May, the rate increased to about a hundred per month. And it is interesting that the work of taking over these enterprises was done by local organs and councils, rather than from the center.\*

By the end of 1918, the following industries were completely nationalized: mining, oil, rubber, electro-technic, sugar, water transportation. The following were only partially nationalized: metallurgy, textiles, chemical, polygraphic, etc.

At the present time practically all the important

\* The following table, given by the *Soviet Yearbook* (loc. cit., p. 134) shows the tempo with which the work of nationalization proceeded during the first period:

Period of nationalization (Years 1917-8 Old Style)	No. of nationalized enterprises.	No. of sequestered enterprises.
October 23—May 15	234	70
May 15—June 1	110	80
June 1—July 1	132	61
July 1—August 1	91	3

Thus, the period of greatest activity was during the months of May and June, probably under the impetus given by the First All-Russian Congress of Councils of National Economy, held early in May, 1918.

The following table, taken from the same source, indicates the manner in which these enterprises were nationalized (the figures cover the period up to July 1, 1918):

	Nationalized		Sequestered	
	No.	%	No.	%
1. By the Council of People's Commissaries and the Supreme Council of National Economy .....	107	23	25	12
2. By the Regional Councils of National Economy .....	216	46	124	58
3. By local organs and local organizations .....	142	31	62	30

industrial enterprises are the nationalized property of the state. Some small ones still continue to run on a non-nationalized basis, but their work and existence are precarious at best, since all the sources of fuel and raw materials are held by the Government.

With the banks and the whole financial system of the country nationalized, and with the industries well on the way toward complete nationalization, there still remained one domain of economic life which required attention. That was the question of distribution, i. e., trade. This question was settled in the summer of 1918, when all trade and commerce were nationalized, thus completing the preliminary cycle of nationalization in industrial production.

The fundamental idea of nationalization, when stripped of its technicalities, is simple enough. Nationalization means taking over by the state all industrial, trade, and financial organizations and enterprises, formerly owned and managed by private individuals, but, after the nationalization, owned and managed by the state. The purpose of this is to eliminate profits and, consequently, the exploitation of those who work in an enterprise by those who own it. Owned and managed by the state, the productive apparatus of the country would, theoretically, serve the best interests of all. The first tangible result of nationalization must be the unification of the country's whole economic life and the concentration of its management in the hands of the state. This is intended for the purpose of eliminating the waste, incident upon the competition and parallelism of the capitalistic economic system. Such unification and concentrated management require a

unified economic plan, while the working out and the realization of such a plan requires a unifying center, a single organ of management, looking after all the phases of national economy.

It is natural that the actual carrying out of such a system, even if it does sound fairly simple in theory, is most difficult. And the Soviet economists certainly found it so. There were three especially important difficulties that they faced from the very beginning.

The first difficulty consisted in finding the forms of organization suitable for the carrying out of the system. These forms were found early enough and took the shape of the cumbersome system of councils of national economy. The question of forms, however, was a comparatively easy matter, for it was realized from the start that only the general outlines had to be devised; the rest would work out in the process of development.

Much more important was the second difficulty, which consisted in coördinating the new system of management. Each enterprise had to be managed. Groups of enterprises, sometimes whole industries, required unified control. Different parts of the country required regional control. Finally, all the groups and industries and regions required national control. The apparatus for effecting all this management and control was a matter of forms. But an effectual working of this apparatus was a matter of coördination, which involved not only mechanical and formal, but also human and psychological factors. The Soviet régime has succeeded in solving only very few of the difficulties involved in

this. Many important ones still press for solution to-day.

The third and the still more important difficulty was that of getting efficiency out of the system. This difficulty involved in its solution human and psychological factors even more than did the second. With the specialists and practically the whole technical personnel driven out, removed, or gone of its own accord, the problem of management, particularly at the individual enterprises, was one of almost insurmountable difficulty, unless some of the specialists could be induced to return. As for the rank and file of the workmen, the new system was scarcely conducive to enthusiasm on their part. In the first place they were forced to give up definitely the idea that the workmen employed in each particular enterprise were going to own or at least control that enterprise. This idea had been carefully inculcated in them by the demagogical agitators, and the introduction of nationalization was, indeed, a disappointment to them. For under the system of nationalized industry, the workmen became simply servants of the state, forced to submit to the officials appointed by the state in precisely the same manner in which they had been formerly forced to submit to private entrepreneurs and their managers. Moreover, immediately after the apparatus of management was somewhat put together under nationalization, the Soviet authorities began to exact labor discipline, which, naturally, appeared so hard and prosaic to the rank and file of the workmen after the revolutionary carousal, that the task of obtaining efficiency under the circumstances became increasingly difficult.

### 3. *The Councils of National Economy*

The Soviet claim to originality in the domain of economic construction is based on the councils of national economy. The whole system of nationalized production and distribution is based upon this new system of industrial management, which grew up in the course of Russia's experiment in the economics of Communism. And just as all the rest of Soviet forms, the councils of national economy are built on a strictly hierarchical principle.

Since we are dealing with a strictly hierarchical system, it is best to start at the very top. The system of management for the nationalized productive apparatus of Russia is crowned by the Supreme Council of National Economy. This institution was created by a decree of the Council of People's Commissaries, issued on December 1, 1917. As constituted at the beginning, the Council consisted of not over sixty members, representing the All-Russian Central Executive Committee (i. e., what amounts to the legislative body under the Soviet political system), the trade and professional unions, and, at first, the factory committees. Its executive body was a Præsidium, consisting of five members. The membership of the Præsidium later on was raised to nine.

The Supreme Council consisted, at the beginning, of eighteen sections, each of which had charge of an important branch of the country's economic life. The most important of these sections were the following: metal, mining, fuel, chemical, electro-technic, public works, waterways, coöperation, transportation. Each section



had general supervision over the work of its particular branch.

Besides the eighteen sections, there were created at the beginning fourteen committees, in charge of less important branches of the country's economic life. These are called, "glavki" (an abbreviated form of "main committee") and "center" (an abbreviated form of "central committee"). The first branches placed in charge of these committees were the textiles, leather, sugar, tea, soap, etc.

The sections and the committees are headed by collegiums, consisting usually of four or five members. These collegiums must include specialists, appointed by the Præsidium of the Supreme Council. As new industries were taken over, the number of the "glavki" and "centers" increased, until at the present time there are fifty-three of them, and the total number of the members of their collegiums is two hundred and thirty-two.\*

Subordinated to the Supreme Council and directly responsible to it are the regional councils of national economy, of which there is a large number. Each of these councils has jurisdiction over a given territory

\* M. Milutin, one of the high officials in the Supreme Council, in an article in the *Ekonomicheskaya Zhizn* for March 27, 1926, gives the following tables to show the composition of the Collegiums:

No. of dep'ts	No. of members	Workmen No.	Workmen %	Engineers No.	Engineers %	Directors No.	Directors %	Employees No.	Employees %	Miscel. No.	Miscel. %
53	232	83	36	79	34	1	0.4	50	22	19	8

The following table shows the political affiliations of this high bureaucracy of the Russian economic system:

Party	Number	% of the whole
Communists .....	115	50
Non-Party .....	105	45
Other parties .....	12	5

(a county, a province, a group of provinces). It has control of the enterprises within its territory, except those which are directly controlled by the "glavki" and the "centers" of the Supreme Council.

Under the regional councils, groups of similar enterprises are brought together into what is known as the "kusts." Each "kust" is headed by a collegium of from five to seven persons. The collegium for each group consists of persons proposed by a conference of the trade and professional organizations of the section, and chosen by the regional council of national economy. One third must represent the workmen of the enterprises involved, one third, the trade and professional unions, and one third, the council of national economy. Of the whole number, at least one third must be specialists.\*

Finally, each factory, foundry, mine, etc., in short, each industrial enterprise, has its own management, consisting either of a collegium, usually made up of three men, or of a single individual, a director. If it is a collegium, then two thirds of it are appointed by the local council of national economy (if the enterprise is under its control), or by the Supreme Council (if the enterprise is under the direct control of the central body). The other third is elected by the professionally organized workmen. One third must consist of specialists from among the technical and commercial employees of the enterprise. If there is a single director, then he is appointed by the council of national economy, but has an assistant, who must be

\* *Soviet Yearbook*, loc. cit., p. 134. Also, V. Ivanov, "The Factory Committees," article in *Petrograd Pravda*, December 20, 1919.

a workman, chosen by the workmen. The factory management is by no means autonomous. The nearest organ of control has a right to appoint its representative to each enterprise, and he can overrule the decisions of the factory management.

The financial control of industry is carried on by the Department of State Control, which is a part of the Government proper, rather than of the Supreme Council. The financing of the enterprises and groups of enterprises is done through the special credit organs, created by the Præsidium of the Supreme Council. Credit is extended through the State People's Bank, and consists of allowance in money for the purpose of paying wages and purchasing raw materials. Under this system, there is no preliminary financial control, but subsequent inspection by the State Control and the trade and professional unions.

Credit may be extended also to non-nationalized enterprises. Such enterprises are divided into three classes: first, small enterprises run by private individuals, but controlled by local organs of councils of national economy; second, small independent organizations, also controlled by the organs of the councils; third, home or group productive units, "kustar" groups, etc., not controlled by the councils. Credit may be extended to the first and second groups, and the financing is done through the organs which control them.\*

Much confusion has been caused by the uncertainty of the relations between the "glavki" and the regional councils of national economy when questions arose con-

\* Decision of the Third Congress of Councils of National Economy, *Ekonomicheskaya Zhizn*, January 28, 1920.

cerning the management of the enterprises which are a part of the industry controlled by the given committee of the Supreme Council of National Economy, but is found on the territory within the jurisdiction of the local council of national economy. Two decisions were recently taken for the regulation of this question.

The first decision was in the matter of the supply of raw materials for the enterprises run by the committees of the Supreme Council. According to the decision of the Central Executive Committee of the Seventh Congress of Soviets, the duty of providing raw materials for the enterprises run by the "glavki" devolves upon the regional councils of national economy, acting in coöperation with the raw materials sections of the "glavki." The second question as to matters of jurisdiction was decided by the Third Congress of the Councils of National Economy, held in January, 1920, in favor of the "glavki." Commenting on this last decision, a Soviet economist \* says that the watchword in accordance with which the economic work of Soviet Russia in the domain of nationalized production now proceeds is as follows:

The municipalization of local and less important industry, and the trustification of the large and national industry.

In other words, whenever possible, the enterprises of any given industry are united into a trust and the control over it is placed in the hands of the corresponding section or committee of the Supreme Council of National Economy. When such merging is impossible,

\* D. Shapiro in the *Ekonomicheskaya Zhisn*, March 5, 1920.

then enterprises remain under the control of the local councils of national economy, whose jurisdiction is purely territorial.

Thus, the general trend of the system of nationalized industry is in the direction of the creation of as many trusts or syndicates as there are industries, and the concentration of the control over all these trusts in the hands of the Supreme Council of National Economy, acting as an agent of the state. This Supreme Council thus becomes, in the terminology of the Soviet economists, a "trust of trusts."

Many Soviet economists consider that at the present time one of the great weaknesses of the nationalized system of production from the point of view of unified control is the parallelism of functions that exists between the Supreme Council of National Economy and several of the other departments of Government. The Commissariats of Finance, Agriculture, Trade, Industry, Ways of Communication all have functions which are entirely identical with the work of the Supreme Council of National Economy. There is a movement looking toward the consolidation of all the branches of the Soviet Government having functions connected with the work of industrial production in the hands of the Supreme Council of National Economy, which would then really become the unifying center of the whole economic life of the country so far as its industrial production is concerned. Later on, it is expected that the Supreme Council would take over also the control of the work of distribution and of agricultural production.



## CHAPTER III

### COÖPERATIVE DISTRIBUTION

ALL trade and commerce were nationalized by the decree of June 28, 1918. This meant that trade was declared a monopoly of the state, being taken out of the hands of private individuals and placed in the hands of the proper department of Government. Free trade, in the sense of exchange of commodities for money at prices fixed by the seller or arranged by the buyer and the seller, was officially abolished. The Government became the seller; it fixed the prices and arranged the conditions of exchange. Under this system most of the stores taken away from their former owners were placed in the hands of local Soviet authorities, mostly municipal bodies. Since production was rapidly diminishing, these municipalized stores had very little business to do, and still have very small amounts of commodities passing through them.

However, selling in the cities is but a small phase of the whole process of distribution, for that process is national in its scope. And in an agricultural country like Russia, the main problems of distribution are those concerned with the exchange of commodities between the cities and the villages. The Soviet Government, during the first period of its existence, i. e., up to the end of 1918, found no way of handling this larger phase of

the problem of distribution. Ordinarily, particularly during the war, much of this trade between the villages and the cities was carried on by the coöperative organizations of various kinds. Since these organizations continued to function during this first period of the Soviet régime and were left undisturbed, they became practically the only instrumentalities of exchange on a national scale; not counting, of course, the various departments of Government, which carried on their own operations of exchange, particularly in the matter of obtaining food supplies. But these governmental activities were carried on upon an administrative basis, and not upon an economic one.

The coöperatives were not the only institutions of exchange on a large scale; for there grew up a peculiar institution of exchange, known as "spekulyatsia." By this word is meant clandestine trade, in which the seller arbitrarily sets the price. Free trade, officially abolished by a Soviet decree, sought this channel, and became unregulated exchange of commodities on an outrageously profiteering basis. However, "spekulyatsia" as an institution of economic exchange, although it is widely practiced and universally known, has no official status and sanction, and therefore cannot be considered properly as a part of the Soviet economic system, when we deal with the official forms of this system. It should be more justly classified as a result of the system, and will be considered in some detail when we come to the results and the problems of the system. In the meantime, we can speak only of the coöperatives as the forms of that part of the Soviet economic system which deals with distribution.

*1. The Russian Coöperative Movement*

There were many factors in the economic development of Russia during the past few decades which led to a rapid and extensive growth of the coöperative movement. This growth was particularly rapid during the war, when the whole economic apparatus of the country was put under a great strain. No doubt, the whole movement has taken such deep root in the country as a natural development of the people's traditional habits of group work, particularly in the domain of agriculture. But it was stimulated by the weakness of the whole economic system, which developed far too slowly to satisfy the needs of the country. Every instance or period of economic strain served as a stimulus for development along the lines of coöperation; and the war was, naturally, a most powerful stimulus of this kind. It is estimated that at the height of its development (about the period of the Revolution) the coöperative movement affected through its various phases the economic activities of at least one third of Russia's total population.

There were three distinct forms of coöperation in Russia. The first of these was concerned with the work of distribution proper, i. e., with the needs of consumption. The whole country was literally covered by a vast number of consumers' coöperative organizations, which had their most important center in the form of the All-Russian Central Union, known as the "Centrosoyuz," organized as far back as 1898. These organizations carried on the normal functions of consumers' leagues found all over the world, except that they were, per-

haps, organized on a much more extensive scale than in any other country and played a more important part in the whole national economy of Russia. Membership in these coöperative societies was largely a matter of payment of fees. Their work extended to various phases of Russia's economic life, gradually coming to embrace them all.

The second form of coöperation was productive, rather than distributive in character. Its development was due to precisely the same causes: lack of general economic development which would place production on a large scale, and the traditional habit of group work, having its expression in the "artel" and other similar forms. Productive coöperation grew up both in agricultural and in industrial production; naturally, to a much larger extent in the former, owing to its preponderance in the whole national economy of Russia. While it encountered many difficulties from the point of view of efficient management and technical equipment, the producers' coöperative societies played a very important rôle in the economic life of Russia. Much of what is generally known as "kustar" work has been coöperative in its organization. In such industries as the textiles and the smaller metal work, where home production without extensive technical equipment is feasible, there was a particular growth of such organizations. And in agriculture, of course, such branches as dairying and other specialized work were excellently fitted for the development of producers' coöperative societies. They also had their large unions, covering great areas. The most famous among these was the great Siberian Union of Creamery Associations.

Closely connected with these producers' coöperative societies, was the third form of the coöperative movement, viz., the credit and loan associations. In common with the other phases of Russia's economic life, the banking system of the country was poorly developed and was not sufficiently extensive territorially to supply the financial needs of the whole population. Moreover, it was not handled with a sufficient degree of favorableness to the needs of the smaller producers. As a result of this there grew up a very important and financially powerful network of coöperative credit and loan associations, again serving more particularly the needs of the rural population in its productive activities. And here again, there were great consolidating centers, the best known of which was the Moscow People's Bank.

These three forms of the coöperative movement remained during the period following the Revolution. But it was natural that in the general economic conditions which characterize the various phases of the post-revolutionary period, the different forms of the coöperative movement were differently affected and underwent changes, irrespective of the activities of the Soviet Government. And of course, these activities of the Soviet Government affected all the phases of the coöperative movement, though in different ways.

## *2. The Reorganization of the Consumers' Coöperatives*

The Soviet Government saw almost from the beginning the need of utilizing the consumers' coöperative organizations for purposes of distribution. Special sections to deal with matters of coöperation were early

organized at the various departments of Government, particularly the Commissariat of Agriculture and the Supreme Council of National Economy. But the co-operative movement as a whole was still left untouched, except from the point of view of regulation along certain lines.

On January 1, 1918, there were in Soviet Russia about twenty thousand consumers' coöperative organizations, uniting about seven million consumers. Nearly three and a half thousand of these organizations were united in the All-Russian Union of Producers' Coöperatives, the "Centrosoyuz." These organizations still served a somewhat limited membership. On April 12, 1918, the Soviet Government issued a decree, by which the consumers' coöperative organizations were ordered to extend their activities to the whole population of the territory in which they operated by revising their membership fees, making them smaller for the poorer portions of the population than for the richer. By the decree of August 8, 1918, the consumers' coöperatives were made quasi-official organizations. This decree ordered a compulsory sale of grain on the part of the peasants. The peasants were ordered to bring their grain to designated places, where they would receive payment for it. The "Centrosoyuz" and its various branches were included among the institutions of distribution and exchange covered by this decree. In exchange for the grain delivered to their storehouses by the peasants, these coöperative organizations were to pay partly with money and partly with credit orders on coöperative stores in the vicinity.\*

\* *Soviet Yearbook*, 1919. Article on "Coöperation."



These decrees, however, were only attempts at regulating the activities of the consumers' coöperatives. It was at the beginning of 1919 that the whole consumers' coöperative movement was entirely reorganized and placed on a new basis.

This reorganization was effected by the decree of March 20, 1919, which abolished the former consumers' societies and substituted for them "consumers' communes," later on renamed into "workman-peasant consumers' societies." The object of the decree was to place the whole distributive coöperation in the hands of the Soviet Government and make of it the instrument of distribution on a national scale. For this purpose, all distributive functions were taken out of the hands of the various governmental supply divisions and handed over to the reorganized coöperative system.

The basis of the new consumers' coöperation is a network of "workman-peasant consumers' societies," which must cover the whole country, one for each district. Within its territory, the consumers' society must include the whole "laboring" population. For this purpose, all fees and membership dues are abolished. Membership in these societies and the right to vote in them is granted in accordance with the provisions in the Soviet constitution, concerning political suffrage.

The principle upon which the coöperative units can unite into larger bodies was also radically changed. In its pre-Communistic form, the coöperative movement consisted of separate and independent units, combining into larger associations or unions without losing their identity and independence and delegating to these larger bodies only definite functions. Under the new plan,

hierarchical subordination is introduced. Local coöperative units combine into regional bodies; regional bodies are united in provincial bodies; provincial bodies are controlled entirely by the central All-Russian body, the reorganized "Centrosoyuz."

This reorganization encountered much opposition. The objections were mainly of two types. In the first place, it was asserted that in effecting this reorganization the Soviet Government destroys those very essentials of initiative and enterprise on the part of the masses of the population which were making for the rapid and extensive development of the whole coöperative movement; and that, therefore, the new measure goes counter to economic law. The second type of objections was concerned with the apprehensions lest the reorganization thus effected might lead to a total dissolution of the coöperative movement in the general activities of governmental work and its losing all power of making for economic progress, particularly from the point of view of Socialistic reconstruction itself.

The Soviet economists took cognizance of both of these types of objections. They dismissed the first by terming it a "remnant of the old bourgeois coöperative idealogy." But they considered the second type of objections valid, answering them, however, by restating their belief in the general efficacy of the unified economic plan. Moreover, to those responsible for the economic leadership in the Soviet regime, the coöperative movement, like everything else, is not an end in itself, but only a means to an end, a stepping stone to ultimate social-economic forms. So we find the fol-

lowing formulation of the rôle of coöperation in the economics of the present period:\*

The value of coöperation lies in the fact that, in the first place, it makes it possible to draw into useful work layers of population still taking no part in the Soviet movement, and in the second place, that in an epoch of centralized dictatorship, it makes it possible to place the purely economic functions of serving the local population in the hands of organizations fitted for it, thus relieving the central organs.

The coöperative movement is a road toward Socialism; so is the Soviet movement. And since the second is the stronger of the two, it must assume the direction and the control of the former. This is the spirit and the essence of the whole plan: unified control and hierarchical subordination.

The decree of March 20, 1919, was carried out very slowly. It meant the reorganization of the local units and the reëlection of the regional, provincial and central bodies. By the middle of May, 1920, this work of reorganization was practically completed in but twenty-five Governments of Soviet Russia.† But it was under way in the rest of the country.

### 3. *The Breaking-up of the Credit and Loan Coöperatives*

The decree of March 20, 1919, reorganized and unified the consumers' coöperation, but it left untouched the other two forms of coöperation. Their turn came

\* *Ekonomicheskaya Zhizn*, March 20, 1920.

† *Ibid.*, May 26, 1920.

about a year later, when by the decree of January 27, 1920, the credit and loan coöperatives were broken up and the producers' coöperatives subjected to a new set of regulations, determining their status for the immediate future.

By January 1, 1920, there were in Soviet Russia nearly twenty thousand local credit and loan coöperative organizations, united into over two hundred unions. They were mostly peasant in their membership, just as they were before, but their chief functions had undergone very important changes during the two years that had elapsed of the Soviet régime.

Originally, the really important function of the credit and loan coöperative organizations, as is indicated by their name, consisted in financial operations of a banking character. They served as depositaries for the rural population in many parts of the country, financed their individual members and groups, and conducted other operations of a similar character. But under the Soviet régime they found it impossible to carry out these functions. Through the monopolization of the banking system, the credit and loan coöperatives lost their credit functions and could no longer perform their work of financing coöperative enterprises. Having lost faith in many of its former habits, the peasantry also turned away from its practice of making deposits with the credit and loan societies. At the same time, the abundance of money in the villages made loans quite unnecessary; they were no longer sought.

Having lost their financial functions, the credit and loan coöperatives turned their attention to another field of activity, which had formerly constituted one of its

functions, though not on as large and important a scale as the financial operations, viz., trade. They rapidly became institutions of trade, assuming functions of distribution entirely analogous to those of the consumers' coöperatives. They purchased foodstuffs from the peasants and sold them to the various departments of the Government, which was forced by its need of food supplies to accept these services on the part of the coöperative organizations that were still not under the Government's control.

But as the decree of March 20, 1919, was carried out more and more effectively, it became clear that the two forms of coöperation, the reorganized consumers' organizations and the changed loan and credit organizations, were performing parallel work. Consequently, the Government decided to merge them together into a unified system of coöperative distribution. This merging was the object of the decree of January 27, so far as it concerned the credit and loan coöperative organizations.

In order to complete the carrying out of the decree of March 20 and to carry out effectively the decree of January 27, a new administrative body was created. It is known as the Chief Committee on Coöperation, and is officially a part of the Commissariat of Supplies. It consists of representatives of the Commissariats of Supplies and Agriculture, the Department of State Control, the Supreme Council of National Economy and the now completely reorganized "Centrosoyuz." The functions of the Chief Committee on Coöperation are purely administrative and do not extend over the direction of the whole system of coöperative distribu-

tion, which is in the hands of the "Centrosoyuz," of whose functions we shall presently speak.

The Chief Committee on Coöperation acts through its local organs, the composition of which was defined by a set of Special Rules, issued at the end of April. In each Government, the coöperative department of the Provincial Commissariat of Supplies is reorganized into a collegium of six: two representing the Commissariat of Supplies: two, the local coöperative formations: one each for the provincial Council of National Economy and the Commissariat of Agriculture. The actual work of putting into effect the decrees of March 20, 1919, and of January 27, 1920, is in the hands of these local bodies.

The reorganized "Centrosoyuz," by virtue of the January decree, becomes the directing center of the whole hierarchically arranged system of coöperation. But its functions pass over into those of production through the second part of the same decree, concerning the producers' coöperative organizations, which are also, in some ways, placed under its control.\*

#### 4. *The Producers' Coöperative Organizations*

The decree of January 27, 1920, defined the status of the producers' coöperative organizations, which continue to play a very important part in the economic life of Russia. They were not broken up in the manner

\* Numerous discussions of the question of coöperation are found in the *Ekonomicheskaya Zhizn* all through 1920. Of special interest are the following: interview with N. N. Krestinsky, the Commissary of Finance, March 6; article by V. Yakhontov, February 20; article by Davydov, July 17, etc.



of the credit and loan organizations, nor were they subjected to the same frank and undisguised control of the Government as the consumers' organizations. Another manner of treatment was applied to them. And although the problems which the producers' coöperative movement represents are essentially problems of production and should properly come under nationalized industrial production and under agriculture, they are, nevertheless, so bound up, at least for the time being, with the system of coöperative distribution, that it is necessary to consider them in the present connection.

The January decree left the local units of producers' coöperation officially autonomous. But it ordered the break-up of the larger consolidations of the producers' coöperatives. The system of consolidation followed out by the producers' coöperatives, which are mostly agricultural in character, was according to the kind of production, constituting unions of flax growers, for example, dairy farmers, etc. The various All-Russian, or sectional Unions of this kind, in the opinion of the Soviet authorities, were, however, not of the same character as the local organizations which they united. On the contrary, they were taken to be purely trade or distributive in character, acting as agents for the various branches of production which they represented, very much along the lines of the credit and loan associations of the post-revolutionary period. Hence these sectional and All-Russian bodies were ordered merged with the already unified consumers' and credit and loan coöperation, all under the complete control of the new "Centrosoyuz."

The Ninth All-Russian Congress of the Russian Com-

munist Party, held in April, 1920, confirmed the general policy with regard to the coöperative movement, expressed in the March and January decrees. In the Resolution on Coöperation, the Congress emphasized, however, the need of stimulating the producers' coöperation, particularly among the peasants.

This Resolution lays special stress on five important points, which show very clearly the attitude towards co-operation on the part of the Communist Party, which, as we have already seen, is the controlling and the directing center of the whole economic mechanism of Soviet Russia. First, it is necessary to strengthen the position of the Communist Party in all organizations of the unified coöperative system from top to bottom. Second, it is necessary to abolish all parallelism in the work of the coöperatives and of the departments of Government proper, by concentrating all functions of distribution in the hands of the former and all functions of industry, forestry, agriculture, special education, etc., in the hands of the latter. Third, it is necessary to utilize as widely as possible the coöperative system for the purchase of food supplies and other products in both monopolized and non-monopolized fields of production. Fourth, the coöperatives should be compelled to follow out entirely all the directions of the Soviet institutions. And fifth, all measures should be taken for the stimulation of collective production with as high as possible a degree of productivity among the peasants. Following out these directions of the Party Congress, the Soviet Government, a few days after the Congress, issued a new decree, supplementary to the

decree of January 27 and dealing particularly with the producers' coöperative organizations.\*

According to this supplementary decree, while the consumers' coöperative organizations must embrace the whole population of the given district, there may also be organized in the same district producers' coöperative organizations, embracing parts of the same population. These producers' coöperatives may exist either independently of the consumers' organizations, or as autonomous sections of the latter. In either event, they are under the control of the local organ of the Commissariat of Agriculture or of the Council of National Economy, with which they must register their statutes and by-laws. These producers' organizations must unite into sectional and All-Russian Unions as autonomous sections of the corresponding unified formations of the consumers' coöperatives. They may also form other Unions, but each time with the permission of their controlling organ of Government and the sanction of the Chief Committee on Coöperation.

The producers' organizations are administered internally in accordance with their own statutes. The sectional organs of administration consist of representatives from the local bodies, who select a permanent board, in which there is also a representative of the unified coöperative organ for the given territory and of the corresponding governmental organ. Each one of these sections is thus under double control. Any of its decisions may be abrogated by either of the controlling bodies; decisions of politico-administrative

\* *Ekonomicheskaya Zhizn*, April 22, 1920.

character may be abrogated directly by the controlling organ of the unified coöperation, while decisions of economic character must be submitted to the proper governmental organ. On the other hand, the decisions of the controlling bodies are binding, if they do not violate the autonomy of the section. Thus the officially autonomous and even independent producers' coöperative organizations are subjected to the strictest control, and the conditions of their official "autonomy" are not defined anywhere.

The first practical step toward the actual consolidation of this system was taken at the First All-Russian Congress of the "Centrosoyuz," held in Moscow, July 7-10, 1920. At this Congress the new permanent board of the "Centrosoyuz" was elected, consisting of one representative of each provincial "soyuz." Leonid Krassin heads the list of the new permanent board.\*

In its purchasing operations, the coöperative system of distribution makes use of both money and credit checks on the coöperative stores, the use of money being made only by permission of the State Control. This refers particularly to payments made to the "kustars," peasants, workmen, etc. All other payments are made by transfers of banking accounts, without any money passing hands. All money received by the coöperatives must be deposited at once at the proper banking depositories. Only enough can be kept in cash from day to day to cover daily expenses.

\* *Ekonomicheskaya Zhizn*, July 13, 1920.

## CHAPTER IV

### THE AGRARIAN SCHEME

BOTH from the point of view of fundamental importance in the national economy of Russia, and from that of the difficulties encountered, the agrarian problem is the most serious that Communism has to solve in its work of organization. And it is only natural that to-day the Soviet leaders can show least in the way of actual achievement in the work of organizing agricultural production and devising an agrarian scheme that would be both Communistic and efficient from the viewpoint of productivity.

Here, as elsewhere, at least two important stages have already been passed through in the course of the existence of the Soviet régime. The first stage carried the Soviet régime through the year 1918; the second began early in 1919 and is still the stage in which the problem is to-day.

Just as the Soviet régime found it impossible to apply to the work of distribution the same methods that it had applied to the reorganization of industrial production, so it found that neither of those methods of approach were feasible when dealing with the agrarian problem. In industrial production there was already a fair degree of concentration of effort and control. Nationalization, applied directly, was possible there.

The state simply took over the material equipment, became the owner and the manager of the whole mechanism of production, and all those working in the various enterprises became its employees. With distribution these tangible forms of concentration that would be more or less all-embracing were lacking. It was necessary to create them through a radical reorganization of the coöperative system. With the agrarian problem, the forms of concentration that may be found are rudimentary from the point of view of Socialistic development. The essentials of individualism are strongest here; the conditions of collectivism least developed. Hence the difficulty in the introduction here of that centralization and unified control which is the keystone of the whole Soviet economic system.

### 1. *Socialization vs. Individualism*

The first stage of the Soviet work in the construction of agrarian forms is characterized by the enunciation of the basic principle of socialization as an outward manifestation, and the growth of the spirit of individualism as the inner manifestation.

The tactics of the Bolshevist revolution and of the first period of the Soviet régime required that the peasantry be kept neutral. An experiment in Socialism was to be attempted. The institution of private property was to be destroyed once and for all. The dictatorship of the proletariat was to be the instrument by means of which this was to be achieved. But the mass of the population is peasantry; not as active as the proletariat by any means, it is true, but, on the other



hand, imbued with the ideas of property and individual ownership of its principal means of production, the land. In order that the city could be left free to carry out its experiment in the dictatorship of the proletariat, the villages had to be put into such a frame of mind, as to be at least indifferent to what is going on in the cities; for their active support was impossible, while their active opposition would have proven fatal.

The Bolshevik leaders found a way out of this difficulty by making use of the old precept, "Let not thy right hand know what thy left hand doeth." The first land decree declared that all land would be given to the peasants and the final forms of the solution of the agrarian question would be left to the Constituent Assembly. After the dispersion of the Constituent Assembly, on January 27, 1918, a decree was issued, in which the fundamental agrarian principle of socialization was enunciated. By socialization was meant that all land was declared the property of the whole people; private ownership to land was abolished, as well as the privilege of buying and selling land. This was the action of the "right hand"; so much the Bolshevik leaders owed to Communism.

But the peasants expected land, not theory. Their whole interest in the Revolution was the possibility of their getting more land than they had before. The decree of socialization provided that all land in each given district should be divided evenly among the actually working peasantry in the district. The peasants immediately proceeded to cut up the non-peasant lands in order to carry out this decision. The Central Government interfered very little with this anarchic method

of redistributing the land. It permitted the peasantry to interpret the decree of socialization as meaning that the land was redistributed among them to be owned by them. This was the action of the "left hand"; this the Bolshevist leaders owed to the exigencies of the moment, the need of keeping the peasantry neutral.

It was not long before the peasantry began to realize what had really happened. The army and the cities rapidly began to empty into the villages large numbers of men who had formerly left the villages for industrial centers and the cities proper and who now began to go back to share in the new land benefits. Added to the shiftless and the landless elements always found in the rural districts, these new elements rapidly formed a new and important stratum of the village population. While not powerful numerically, they presented excellent material for the Soviet system. Proletarian in character, not affected by property traditions which are so prominent in the peasants actually working their own lands, these elements, characterized in the terminology of Bolshevism as the "village poverty," became a mobile force which could be excellently utilized by the régime.

The remainder of the peasantry was divided by the Bolsheviks into two classes, the rich peasantry, known as the "kulaki" (the fists), and the middle peasantry. Into the first of these classes, roughly speaking, were put all those who employed labor for profit in the working of their lands; while into the second class were fitted the majority and the bulk of the whole peasant class.

The "village poverty" found itself landless and face

to face with hostile opposition on the part of the hard working middle peasantry. But it had on its side the favor and the assistance of the Government. For purposes of social fermentation in the midst of the rural population, the Bolshevik leaders took special pains to introduce class struggle in the villages by pitting the "village poverty" against the other two classes. This resulted in interesting conflicts and led to very important consequences, of which we shall speak later. But the stimulation of this class war in the villages had an important influence upon the work of creating new agrarian forms, and it is in this connection that the question is of interest to us at the present stage.

Finding itself in a precarious position in spite of the special privileges conferred upon it by the Government through the creation of special "committees of poverty," of which we shall also speak later, the "village poverty" class found it expedient to band into communes, get land by force when other means failed, and make an attempt to organize agriculture on something like a collective basis. This commune movement grew largely of its own accord, but the Soviet leaders early realized its importance and did everything in their power to stimulate it. One of the methods of doing this was to make conditions of work very difficult for individual middle peasantry through the Government control of seed, agricultural machinery, etc., in order to force the middle peasantry to join the communes. And with the entry of the middle peasantry, a commune would take a new lease on life, for it would then acquire the technical equipment which still remained in

the hands of the industrious and hard-working middle peasantry.

The growth of communes was not rapid by any means, because, in spite of all difficulties which were encountered by the middle peasantry who remained outside, it was next to impossible to get them into the communes. By the fall of 1918 there were about five hundred communes on the territory of Soviet Russia.\* It was not a brilliant showing, of course, considering the efforts that were spent in the stimulation of the commune movement, but it served as something of a foundation for the Soviet Government in its next steps.

There was another very important element in the situation which also was utilized by the Soviet Government in its process of constructing new agrarian forms. Some elements among the middle peasantry realized very soon that the long-awaited and long-expected agrarian reform and the distribution of all land cannot bring the benefits that were expected. The socialization decree, officially placing the whole arable area at the disposal of the peasantry, added but little to the amounts already held. It was found that only 15,800,000 desiatinas were available for distribution in the twenty-two Governments of Soviet Russia. After the distribution, the individual peasant holdings were increased by scarcely a desiatina each, which was utterly insufficient, considering the low stage of agronomic development.†

The peasants realized the advantages of large-scale

\* Moscow *Izvestiya*, March 12, 1919.

† Report of Commissar of Agriculture Sereda to the Executive Committee, Moscow *Izvestiya*, February 12, 1919.

agricultural production, and they saw very soon that such production would be impossible even with their new holdings. Then they began to apply their old methods of group work, which they had learned to employ from time immemorial. Instead of going into communes, where each man would have to give up his worldly possessions into the common fund, some of them preferred to band together merely for purposes of collective work, without any obligations of collective ownership.

Embittered by the class war introduced in the villages, strongly opposed to the commune as it was being introduced, the bulk of the peasantry was strengthened still more in its desire for individual control of land holdings. Socialization of the land was still far from meaning to them what it meant to the Communist leaders. On the contrary, their readiness to accept this latter meaning was growing less.

By the end of 1918 the dictatorship of the proletariat was already sufficiently established in the cities to permit the Soviet leaders to count upon it for a police and administrative force. They now found themselves in a position to turn their attention to the villages and to begin in earnest the introduction of Socialism there, i. e., the construction of new agrarian forms. The experience of the Soviet régime with the question of food supply during its first year in power served as a most powerful stimulus for the attention which its leaders began to devote to the agrarian question. The sowing area, the crop returns, and, particularly, the deliveries to the cities decreased so much, that work in the villages became absolutely imperative.

The whole agrarian work of the Bolsheviki during the year merely served to strengthen the spirit of individualism among the peasantry. The Soviet leaders decided that it was time to begin the translation of socialization into Communistic forms.

## 2. *Communism in Agriculture*

The first serious attempt to introduce Communism into agriculture in accordance with definite plans is found in the decree of February 14, 1919, entitled, "The Regulations Concerning the Socialistic Agrarian Arrangement and the Measures for Organizing Agriculture on a Socialistic Basis." \*

The new decree restates socialization in terms of declaring the whole arable area of Soviet Russia a single and unified land fund, the administration of which is placed in the hands of the proper Commissariats and the local organs of governmental authority. While the land is still left almost completely in the hands of those who till it as individual holdings, it is pointed out that this condition is merely temporary and expedient, and emphasizes that the spirit and the essence of the new measure is to provide the channels through which this state of affairs may be gradually transformed into the state demanded by Communism.

The aims and objects set for the present period are formulated as follows:

\* The text of this decree was published in the *Izvestiya*, the official organ of the Soviet Government. A semi-official interpretation of it for popular use is found in a pamphlet by Kiy, published by the Commissariat of Agriculture.



For the purpose of destroying all exploitation of man by man; of organizing rural economy on the basis of Socialism and with the application of all improvements in science and technique; of educating the toiling masses in the spirit of Socialism; of bringing about an alliance between the proletariat and the "village poverty" in their struggle against capital, it is necessary to pass from the individualistic forms of land exploitation to collective forms. Large Soviet estates, rural communes, group agriculture and all other forms of collective use of the land are the best means for achieving this object, and therefore all forms of the individual use of the land should be regarded as merely temporary and doomed to destruction.

Such are the immediate aims of Communism in agriculture. The ultimate aims are formulated no less clearly:

The basis of the agrarian scheme must be the determination to create a single, unified rural economy, that would supply the Soviet Republic with the greatest possible amounts of economic benefits with the least possible expenditure of the people's toil. In conformity with this, the new agrarian scheme embraces all the measures of technical character, directed toward the introduction of collective principles in the use of land, rather than the individualistic ones.

For the time being, three forms of collective use of the land are introduced by the decree of February 14. Two of these forms are purely Communistic in character. These are the forms of Soviet estates and the rural communes. The third, the collective agricultural associations, are not Communistic in character, but are, nevertheless, welcomed and even encouraged by the Soviet régime for reasons of expediency. Like the institution of the individual control of land holdings, this

third form of collective land use is also considered temporary, but acceptable, nevertheless. The Soviet leaders are frank in their recognition of the fact that Communism is infinitely more difficult to introduce in agriculture than in any other phase of the country's economic life.

### 3. *The Soviet Estates*

The form of agrarian Communism which approaches closest to that of nationalization, the acme of the Communist work in the construction of economic forms, is the Soviet estate. In conformity with this, the Soviet estates are placed in a privileged position as compared with the other forms. Article 8 of the February decree states plainly, that the land fund, which is the property of the state,

should be utilized, first of all, for the needs of the Soviet estates and the rural communes; then, for the use of associations and other collective forms; and lastly, for the use of those who till individual holdings for their own use.

The fundamental idea underlying the system of Soviet estates is the realization of the need of reëstablishing the higher forms of agriculture which were made possible through large-scale production on estates, formerly privately owned by enlightened landlords. During the anarchic division of land under the system of socialization in its first phases, a large number of these estates were cut up by the peasants, and many of the technical improvements existing there were destroyed.

In explaining the agrarian policy of the Soviet Gov-

ernment with regard to the introduction of Communism in agriculture, the Commissar of Agriculture, Sereda, gives the following as the two aims to be pursued in the work of the Soviet estates: first, to build up model farms which would be of agronomic assistance to the rest of the rural population; and second, to organize production of agricultural products on a rational basis.\* There is, of course, another aim, viz., to introduce eventually the forms of nationalized production into agriculture; but it is much more remote than the other two.

The land taken over for Soviet estates is exclusively that which was formerly held by large land-owners, i. e., the best land. Greatest attention is paid to those estates upon which there already exist (or existed at the time of the Revolution, though now partially destroyed) such improvements as gardens, orchards, grape arbors, plantations of hops, tea, tobacco, sugar beet, cotton, etc.; or such technical equipment as creameries, mills, wine-presses, etc.; estates on which live stock raising is well developed along the lines of cattle, sheep or horse raising; estates on which there are shops for the repair of agricultural machinery, etc. In short, all those estates which present exceptional value from the point of view of agricultural, technical or semi-industrial equipment, should be transformed, immediately or eventually, into Soviet estates. In places where such original estates had been cut up by the peasantry, efforts should be made to reconstruct them as far as possible.

\* Report to the Executive Committee, cited above.

While the chief object of Soviet estates is to organize agricultural production on a large scale and a scientific basis, very serious attention is paid to the possibilities of industrial or semi-industrial development in connection with them. Article 35 of the decree of February 14 provides for the establishment of a "Workmen's Committee of Assistance," which can send its representatives to the rural districts in order to assist the local governmental authorities in charge of the agricultural work and, particularly, the Soviet estates, in organizing such production. This is done in order to "apply to agriculture the experience in the work of organization acquired by the industrial proletariat." It is intended that canning factories, packing houses, and even bakeries and confectionery factories may eventually be established on the Soviet estates.

In its educational aims, the system of Soviet estates is expected to serve the purposes of both agronomic assistance and Communistic propaganda. In order to render agronomic assistance, experimental stations, model farms, exhibitions, agricultural schools, libraries, museums, theaters should be established there. The Soviet estates would thus gradually become transformed into towns, creating their own proletariat.\* Moreover, they would show the masses of the peasantry the advantages of large scale over individual-farm agriculture, and would train them in the realization of the value of rural communes and the other forms of Communism in agriculture.

The average size of a Soviet estate is not very large.

\* This point is given considerable prominence in Kiy's pamphlet, mentioned above.

According to the information gathered by the Commissariat of Agriculture at the time when the decree of February 14 was issued, covering ten Governments, the average size of a Soviet estate was three hundred and forty desiatinas, i. e., about eight hundred acres.\*

The Soviet estates are not only the property of the state (all land is that, by virtue of the decree of February 14), but are managed directly by the state. This management is in the jurisdiction of the People's Commissariat of Agriculture, the actual management on individual estates being in the hands of individuals or groups placed there as government officials through proper channels. The work on the estates is done by men employed for the purpose, whose status is the same as that of workmen in the nationalized industrial enterprises: they are all employees of the state and receive wages for their work.

There is another form of Soviet estates, which is somewhat different from the form we have just considered. A decree, issued on February 18, 1919, supplementary to the decree of February 14, provides for the establishment of Soviet estates by groups of industrial proletariat. This decree states that

associations of state enterprises, as well as separate state enterprises, municipal Soviets, large trade and professional unions and local unions have a right to receive from the People's Commissariat of Agriculture for temporary use tracts of land and whole estates, confiscated from the original owners and not intended for distribution for individual farming, as well as other lands, lying unsown and unused at the

■ Report of Commissar Sereda, quoted above.

time that the request for them is made; upon such tracts of land, the proletarian groups concerned should organize Soviet estates for productive purposes.

This form of land exploitation is, of course, one of the peculiar developments of the food crisis which has been growing ever more acute during the past three years. In order to provide for themselves, workmen in many enterprises, as well as groups of population in the cities, began to make attempts to till lands in their vicinity which were not being used. The decree of February 18 was merely the acknowledgment of an already existing fact. After the movement developed sufficiently, the Government stepped in with attempts to regulate it. In the system of transportation, for example, over three thousand groups were already tilling their own land in different parts of the country, devoting it mostly to truck gardening, before the Government stepped in for purposes of regulation.\*

#### 4. *The Rural Communes*

The second form of Communism in agriculture, though not of as high a type as that of the Soviet estate, is the rural commune. We have already seen how the communes began their development and what elements in the rural population served as their basis. The paragraphs of the decree of February 14 which took up the question of the rural communes determined more or less definitely their status in the scheme of introducing Communism into agriculture.

\* *Ekonomicheskaya Zhisn*, August 3, 1920.



The rural communes are placed in conditions of greater privilege than any other agrarian form, except the Soviet estates. The best lands, as we already noted, are given over to the Soviet estates. The next best constitute the land fund out of which communes are to be formed. Being the form best suited for the poorer portions of the population, the communes, moreover, are provided with very tangible assistance on the part of the state. A special fund has been established by the Soviet Government for the purpose of rendering financial assistance to the rural communes. This fund of one billion roubles is placed in the hands of special committees in each province and is administered by them. Loans can be made in the form of money, or of agricultural machinery, seed, building materials, etc. These loans can be repaid either in money or in food products, if amounts larger than those subject to government requisition are produced. The extra amounts of food products are then accepted by the Commissariat of Supplies at "fixed" prices. But in order to receive assistance from the fund, the commune must conduct its work in accordance with the same plan as that used by the local Soviet estate, or, if there are no Soviet estates in the vicinity, in accordance with plans approved by the agricultural division of the local Soviet.

The difference between a Soviet estate and a rural commune lies primarily in the fact that the first is owned by the state together with its whole equipment, and is operated by the state; while the second owns its own equipment and conducts its own operations, only the land it uses being the property of the state. A

Soviet estate is a state organization, while a rural commune is a voluntary association of its members.

A Soviet estate is worked entirely by hired labor. A rural commune is supposed to be worked entirely by its own members. Only in case of an emergency, when special work has to be done in a short time, can a commune employ non-members, paying them set wages. The products of a Soviet estate are entirely the property of the state, the expenses of operation being also borne by the state. In a commune, the members are permitted to keep certain fixed amounts of the food products they produce as compensation for their toil. The rest must be placed at the disposal of the state. Amounts delivered above certain norms are paid for by the Government, and the communal "profits," according to Article 70 of the decree, "must be used for the improvement and extension of the communal estates."

The rural communes must be united into groups according to geographical distribution, by "volost," county, or province. This should be done especially by communes which carry on similar type or work, specializing in grain, vegetables, fruit, etc. Each commune is managed by an elective council of three to five persons. These communal councils have a right to send representatives with consultative privileges to the Commissariat of Agriculture and its local bodies for the purpose of establishing contact with the administration of the Soviet estates. And similarly, the Commissariat and its local organs may send their representatives to the communal councils.

### 5. *The Agricultural Associations*

The Soviet leaders realize that, in the immediate future, at any rate, neither of the two Communistic agrarian forms (the Soviet estate and the rural commune) can embrace the masses of the peasantry. For the form of Soviet estate makes of a peasant, who is, traditionally, a farmer and an individualist, merely an employee of the state. The form of village commune makes the peasant give up all his habits of private ownership and individual use, which constitute the outstanding result of this tradition. Yet production on a large scale is imperative, and so the Soviet leaders are willing to concede to the masses of the peasantry another form of collective land exploitation on a non-Communistic basis. This third form is the voluntary agricultural association, which is of many different kinds. Article 94 of the decree of February 14 defines an agricultural association as such an arrangement of land exploitation in which "the whole community or separate groups work the land by means of a collective application of all its members and a common utilization of the means and instruments of production for the purposes of plowing and sowing the land, gathering the crops, etc."

The difference between a rural commune and an agricultural association lies in the fact that in the former all means of production, all tools and machinery, all buildings, etc., are owned in common by all the members, while in the latter each member has his own property, which he merely loans to the association for common and collective work. But in accepting this

non-Communist form of collective land use and even extending to it official sanction and assistance (parts of the billion-ruble fund, for example, may be devoted to helping the associations), the Soviet Government, through the decree of February 14, provides for a number of regulations of a very important character.

A village community may decide to change from individual-farm to collective form of agriculture by a majority of votes. But if, when the question is voted upon, only a minority is in favor of the change, then, according to Article 97, the community must set apart, in one place, enough land to make up the per capita holdings of the minority, and allow the minority to organize an agricultural association upon this land. With regard to hiring labor outside of its membership, such an agricultural association is placed in the same condition as a rural commune; i. e., it can hire outside labor only in special instances.

In case an association finds that its own machinery is insufficient for its work, it is given a right, by Article 108, to requisition from the individual farmers such machinery as the latter own and do not utilize in full. And here, too, class distinctions are introduced very prominently. Article 115 provides that in case machinery or live stock or any other article of agricultural use is confiscated by an association, the rich peasants should receive no compensation at all, while the middle and the poorer peasantry should be paid, the price being set by the association which makes the requisition, but not to exceed the fixed government price for the article in question. Temporary use of implements,

etc., may also be paid for; although such compensation is not made compulsory.

Again, at the time of the organization of an association, the dues which have to be made by its members for the purchase of seed, fertilizers, etc., are not levied equally. The largest amounts are paid by those peasants who are better to do. The middle peasantry pays less. And the poor peasants pay nothing at all.

The products of an association are divided into several parts. First, deductions are made for seed for the next sowing, for the maintenance of the common live stock, the purchase and repair of machinery, etc. Then, division is made among members according to norms existing for the whole country at the time of the division. The remainder is placed at the disposal of the state, as with the other collective groups.

Each association is managed by a committee, usually consisting of three members, elected by the whole association. The committee is under the control of the local division of the Commissariat of Agriculture. The association has a right to punish its members for refusal to work and other offenses. The punishment may consist in fines or even expulsion from the association.

The land, not worked by Soviet estates, rural communes and agricultural associations, is divided among the rest of the peasantry in the form of individual holdings, "loaned" to them by the state. The importance which these various forms play in the agrarian scheme of Russia may be seen from the following state-

ment made by the Commissar of Agriculture Sereda at the beginning of January, 1920:\*

According to the figures at our disposal for the thirty-one provinces of Soviet Russia, the total amount of land that was formerly owned by those who did not actually work on it, is (exclusive of forests) 24,151,000 desiatinas. Of this land, 20,798,000 desiatinas, or 86 per cent, have been taken over by the peasantry as individual holdings; 9 per cent has been given over to Soviet estates;  $2\frac{1}{2}$  per cent have been taken over by rural communes and agricultural associations; and  $2\frac{1}{2}$  per cent have been given over to various governmental institutions.

If we add the amount taken over by the peasantry into individual holdings to the amount of land already held by them under the same arrangement, we shall see very clearly how small has been the progress of Communism in agriculture, in spite of the very extensive agrarian scheme created by the decree of February 14, 1919.

\* Petrograd *Izvestiya*, January 14, 1920.





PART TWO  
THE RESULTS AND THE PROBLEMS



## CHAPTER I

### TRANSPORTATION

THE question of transportation is the central and the most important single economic problem in Russia. Its importance has been equally great under all three of the political régimes through which Russia has passed in recent years. But its paramount importance to-day is enhanced by the fact that the whole transportation system of Russia has suffered great disorganization through the war, the republican period of the Revolution, and particularly, through the Communist period. During the past three years, the transportation situation, particularly as far as the railroad system is concerned, has been rapidly growing worse, approaching truly catastrophic conditions.

#### *1. The Normal Railroad Situation*

Even before the war, the Russian railroad situation was a matter of concern for the forward looking economic elements of the country. The trouble lay both in the inadequate development of the system and in the insufficiently rapid pace in the attempts to overcome this inadequacy.

Russia was behind practically every civilized country as far as her railroad development was concerned.

This lack of development is particularly clear if we make a comparison with the United States, the only other country of great railroad distances. In 1913, the United States had 4.3 kilometers of railways for every 100 sq. kilometers of territory, or 41.8 kilometers for every 10,000 inhabitants. In 1914, Russia had 1.06 kilometers of railways for every 100 sq. kilometers of territory in European Russia and 0.07 kilometers in Asiatic Russia, or 4.1 kilometers for every 10,000 inhabitants in European Russia and 5.8 kilometers in Asiatic Russia.

The Imperial Government had a plan of railroad construction which called for the building of six thousand versts of railroad lines annually. This plan, however, even if carried out in full, was considered inadequate by specialists; it was pointed out that traffic on the Russian roads increased normally at the rate of seven per cent. a year, while the extension planned by the Government correspond to only a five per cent. increase. In any event, even the original plan could scarcely have been carried out until after the war, although the war itself showed plainly the woeful lack of transportation facilities. During the first stage of the war there was considerable railroad construction. Much work was done on double-tracking the Siberian and the Archangel lines, needed for carrying war supplies. A great deal of construction was done at the front. An entirely new line, connecting Petrograd with the Murman coast, was built.

The lack of railroad lines was not the only difficulty which confronted Russia in the railroad situation during the war. The lack of rolling stock was even more

important. There was a shortage of both cars and locomotives that began to be felt when the war began, and grew worse as the war progressed. For example, early in 1917, in order to increase traffic at the front, the Trans-Siberian traffic was reduced by a daily sacrifice of two trains. But the result of this was that Vladivostok became rapidly overloaded. At the same time a shortage of munitions began to be felt; so in May seven hundred locomotives were placed on the Siberian line. And this immediately resulted in the reduction of foodstuffs brought to the front, so that many sectors had to starve.

During the war, efforts were made to increase the rolling stock of the Russian railways. Large orders were placed abroad, particularly in America. The Russian car and locomotive works tried to raise their production as much as possible. By the beginning of the Revolution the Russian railroad system consisted of about 60,000 versts of track; approximately 500,000 cars of all descriptions (7 per cent. of which were disabled), and 20,000 locomotives (24.7 per cent. disabled).<sup>\*</sup> This situation may be considered as fairly normal.

The Revolution, even the first stage of it, affected the whole economic life of Russia, including, of course, the railroad system. The proportion of disabled rolling stock began to increase with what then appeared to be an alarming rapidity. The question of development and improvement was rapidly pushed to the

<sup>\*</sup> Article on Transportation in the *Soviet Yearbook*, Moscow, 1919. It is interesting to note that statistics published in other official Soviet publications give the percentage of the disabled locomotives at this time as only about 20 (see Table No. 3).



background. A much more pressing problem arose, that of preserving what still remained of the railroad apparatus. Railroad specialists considered that by the fall of 1917 the railroad traffic would have become reduced to such an extent, that practically all transportation would come to a standstill. Then came the Bolshevik revolution and the establishment of the Soviet régime. The economic disorganization of Russia proceeded at an increasingly rapid pace. The railroad system felt this much more acutely than most of the other branches of industry. What the specialists of the first period of the Revolution considered as a catastrophe, began to look like paradise compared with the state of affairs at the height of this process of disorganization.

## *2. The Situation by the End of 1919*

By the end of 1919 and the beginning of 1920, the railroad situation reached its acutest stage of disorganization. The process by means of which this situation was brought about may best be seen from the following set of tables.\*

The total length of railroad lines varied very considerably during the six years which elapsed from the beginning of the war, especially after 1917, when the war, the Revolution, and the civil war became the determining elements in the whole Russian situation. Table No. 1 indicates these variations:

\* The data contained in Tables Nos. 1, 2, 3, 4, and 5, as well as the other statistical data given here concerning the railroad situation before and during the war, are taken from a study of the Russian railroad conditions by I. Mikhailov, a Soviet transportation expert, published in the *Ekonomicheskaya Zhizn*, March 7, 1920.

TABLE No. 1

*The Total Length of R.R. Lines (in versts)*

1914 .....	64,000			
1915 .....	65,000			
1916 .....	65,000			
1917 .....	64,000	January	50,000	December
1918 .....	53,000	"	23,000	"
1919 .....	23,000	"	36,000	"
1920 .....	48,000			

It must be remembered that these figures indicate the situation from the point of view of the Central Government and refer, therefore, to those railroad lines which are under its control. The end of 1918 and practically the whole of 1919 represent the period of the greatest development of the civil war, when the territory under the control of the Soviet Government was the smallest. Similarly, the amounts of the rolling stock at the disposal of the railroads controlled by the Central Government would also vary with the fortunes of the civil war.

In 1914 there were 20,057 locomotives on all of Russia's railroad lines. Of these, the government-owned railroads had 15,242; the privately-owned roads had 4,616; and the several small lines in Asia, classified separately, had 199. The number of passenger locomotives was 3,823; the number of freight locomotives was 16,234. Classified according to the fuel used, there were 15,047 coal-burning engines; 4,072 that used oil; and 938 that used wood. Taken according to their age, these locomotives were as follows: over fifty years, 147; forty to fifty years, 1,535;

thirty to forty years, 2,083; twenty to thirty years, 1,247; ten to twenty years, 7,937; under ten years, 7,108.

Until the war Russia had a system of permanent crews on the locomotives. It was estimated that under this system, when the same crew has charge of a locomotive for a more or less extended period of time, the engine has a much longer life, than if the crew would be often changed; the figures being twenty-five years in the first case and twelve years in the second. During the war, the Russian railroad administration gave up the system of permanent crews.

The increase in the number of locomotives since the beginning of the war is shown in Table No. 2, which indicates how few locomotives were imported from abroad as compared with the number built in the Russian locomotive works.

TABLE NO. 2

*Increase in the Number of Locomotives during the War*

Year	Built in Russia	Imported	Total
1914.....	816	—	816
1915.....	903	—	903
1916.....	599	400	999
1917.....	396	375	771
1918.....	191	*	191
1919.....	85	—	85
			<hr/> 3765

\* An order was placed in the United States for 2,000 locomotives, ■ few of which were delivered to Vladivostok. Total number of deliveries unknown.

Under what is considered normal conditions, the number of disabled locomotives should not exceed approximately twenty per cent. of the total number. Up to the Revolution, the number of disabled locomotives was kept steadily well under this figure. Table No. 3 shows the percentage of disabled locomotives by the month for the years 1914-1920.

TABLE No. 3

*Percentage of Disabled Locomotives*

	1914	1915	1916	1917	1918	1919	1920
January .....			16.8	16.5	31.1	47.7	58.1
February .....			17.0	18.4	35.0	49.5	59.2
March .....		15—16	17.3	20.3	35.3	52.4	
April .....			16.9	20.6	36.5	52.8	
May .....	15—16		17.0	22.4	38.1	52.5	
June .....			16.3	24.2	39.5	49.0	
July .....			16.8	24.7	40.0	48.5	
August .....		16.8	17.1	25.0	41.0	51.8	
September .....		16.3	17.0	24.8	41.5	51.5	
October .....		15.5	16.5	25.8	43.1	52.2	
November .....		16.4	16.3	27.4	45.5	53.7	
December .....		16.2	16.8	29.4	47.8	55.4	

The rapid decrease in the number of locomotives actually in running order may be seen even more clearly from Table No. 4, which shows the total number of such locomotives for the same period.

As far as the cars are concerned, the situation was never as acute as it was with the locomotives. It has already been said that just before the Revolution, at the beginning of 1917, when the percentage of the disabled locomotives was already as high as 24.7 (about

TABLE No. 4

*Number of Locomotives in Running Order*

1914.....	17,000		
1915.....	16,500		
1916.....	16,000	January	December
1917.....	17,012	"	15,910
1918.....	14,519	"	4,679
1919.....	4,577	"	4,141
1920.....	3,969	"	"

20% according to Table No. 3), the percentage of disabled cars was only about 7. The number of disabled cars continued to increase, but it never reached the same proportion as with the locomotives. Table No. 5 shows this.

TABLE No. 5

*Number of Locomotives and Cars in Running Order for every 100 Versts of Operating Lines*

Year	Locomotives				Cars	
1916....26	.....	28	.....	799	.....	852
1917....25	.....	32	.....	702	.....	1106
1918....20	.....	27	.....	828	.....	1151
1919....19	(Jan.)	11	(Dec.)	804	(Jan.)	604 (Dec.)
1920.... 8	"			395	"	

Thus while the minimum number of locomotives in running order decreased during this period by three times, the minimum number of cars decreased during the same period only twice. In other words, while the whole rolling stock situation is menacing and important, the question of locomotives still continues, as during the war, to be of greater concern than that of cars.

Finally, in order to get a clear picture of the railroad situation in Soviet Russia at the beginning of 1920, let us look at Table No. 6, which is a summary of the condition of the railroads under the control of the Soviet Government during the last week of January, 1920.

TABLE No. 6

*Condition of Russian Railways during the Period from January 22 to February 1, 1920 \**

## A.

Total number of locomotives.....	9,639	
In running order.....	3,925	(40.7%)
Disabled .....	5,714	(59.3%)
In repair .....	2,705	
Awaiting repair .....	3,009	
Repaired during the period .....	176	

## B.

Total number of freight cars.....	237,980	
“ “ “ tank .....	14,643	
In repair and awaiting repair.....	54,537	(21.6%)
Repaired during the period .....	655	

The Soviet authorities realized, of course, the truly tragic nature of the situation that was thus rapidly being brought about. The railroad specialists feared disaster in 1917 and 1918. But their calculations were based on the needs of traffic which under the Soviet régime soon lost their character of practically irreducible minima. The whole level of civilized life, which for its maintenance makes certain demands upon a country's system of transportation, was brought

\* *Ekonomicheskaya Zhisn*, March 7, 1920.



down in Russia under the Soviet régime to the phases of almost primitive development. Such needs as still continue to press, almost exclusively those of food and fuel, continued to be satisfied in some degree by the apparatus of transportation that still remained. But by the end of 1919 it began to be clearly seen that even these traffic requirements, reduced as they were almost as far as could be, would soon be impossible of satisfaction, if things would continue to run in the same way as they had been running during the preceding years. At the beginning of 1920 the Soviet Government turned its attention particularly to the question of transportation.

### *3. The Methods of Checking the Disorganization*

In December, 1919, when the number of disabled locomotives had already reached fifty-five per cent., the Technical Division of the People's Commissariat of Ways of Communication expected that by March the number of disabled locomotives would be seventy-five per cent. of the total number. This would mean that in March it would be possible to furnish only fifty per cent. of the absolutely minimum requirements of locomotives, whereas in December it was still possible to furnish eighty-four per cent.\*

The locomotives requiring repair are divided into three categories, according to the kind of repair needed, viz., major repair, minor repair, and current repair. Under normal conditions the time required for a locomotive to pass through major repair is about

\* U. Larin, in Moscow *Pravda*, March 21, 1920.

three months. In 1916 the time for major repair was 117 days; in 1917 it was 201; in 1918, 275. Minor repair required in 1916 30 days; in 1917, 44 days; in 1918, 76 days.\* In 1919 these periods of repair became still longer. With over five thousand locomotives and fifty-four thousand cars requiring repair, the pace with which this work of repair proceeded at the end of 1919 may be seen from Table No. 7.

TABLE No. 7

*Data Gathered by the Commissariat of Ways of Communication Concerning Railroad Repair †*

Month and year	Locomotives			Cars	
	Major	Minor	Current	Passenger	Freight
November, 1919 . . . . .	16	189	691	580	1092
December, " . . . . .	16	177	924	511	1229
January, 1920 . . . . .	7	115	652	187	431

One of the chief reasons advanced for the explanation of the slowness with which railroad repair was being done was the lack of spare parts, which would facilitate and accelerate repair. Other reasons, equally important, were the shortage of fuel and, particularly, the lack of skilled labor and the loss of labor discipline.‡

In December, 1919, a series of measures for overcoming these difficulties was devised by the War Revolutionary Council in conjunction with the Supreme

\* *Soviet Yearbook*, loc. cit.

† *Ekonomicheskaya Zhisn*, March 21, 1920.

‡ Report of Chairman Kakabadze of the Petrograd Extraordinary Commission for Railroad Repair to the Council of National Economy of the Northern Region, *Petrograd Pravda*, January 13, 1920.

Council of Transportation. The basis of these measures was an idea, proposed by a member of the latter body, U. Larin, that railroad repair can be facilitated if parts of some of the disabled locomotives would be used as spare parts for others and if current repairs would be speeded up at the expense of major and minor repairs. These measures were as follows: A registration of all disabled locomotives was ordered; current repairs were to be increased by the transfer of men from district shops to main shops; special premiums in food were established for men working on current repairs; parts of badly disabled locomotives were ordered to be used for the repair of others.

The results of these measures by the middle of March showed that it was possible to keep the number of locomotives at approximately eighty-four per cent. of the minimum requirements, although in February, the percentage dropped down to seventy-eight. The percentage of disabled locomotives increased to 60.3. At the same time the average number of locomotives passing through minor repair dropped from 189 to 130.\*

To what extent these measures and the results achieved through their application constitute an actual improvement is rather problematic. All through the year 1919 there was a tendency for the increase of the number of locomotives requiring major and minor repairs. Table No. 8 indicates this.

Thus with the tendency for the increase of the number of locomotives requiring more or less serious re-

\* U. Larin, in *Moscow Pravda*, March 21, 1920.

TABLE No. 8

*Categories of Locomotive Repair \**

	Current	Minor (in percentages)	Major
February 22, 1919 ...	49.5	31	19.5
March " " ...	46	33	21
April " " ...	44	35.6	24 †
May " " ...	41	38	21
July " " ...	43.3	37	19.7
October " " ...	42	37	21
January " 1920 ...	42.5	37.1	24 †

pair already there, the taking of measures to facilitate this tendency seemed rather a dangerous experiment.

Once the Soviet Government and the higher economic institutions realized the need of turning special attention to the work of railroad repair, however, they went about the matter in a manner so characteristic of them. Everything they do usually has a background of propaganda and of more or less fervent agitation. So in this case, in Petrograd, for example, a week was set aside (January 8-14), which was designated as the "Week of Railroad Repair." Several days before the "Week of Repair" began, the Petrograd *Pravda*,‡ which is the official organ of the Communist Party, published several appeals, of which the following is a characteristic example:

The disorganization of the system of transportation has now reached the culminating point and, unless effective

\* *Ekonomicheskaya Zhizn*, February 22, 1920.

† The percentages for April and January are obviously inaccurate; they are given, however, just as they appear in the original table.

‡ January 6, 1920.

measures are taken to stop destruction and begin construction, we may say with assurance that this will have an effect upon our political situation as well. . . . For two years we have been rolling down the hill, making all efforts to climb; yet we cannot climb up-hill, because for every step forward, we take two steps backward.

And here is another one:

The Communist railroad employees must realize once for all that if the railroads will continue to decrease their activity, then slow but sure death awaits us. And this death will be more terrible than death at the hands of the Tsaristic hangmen, because it will show our ignorance, our inertness, and our inability to work.

The "Week of Railroad Repair," which was organized also in other parts of Soviet Russia, was, of course, merely a propaganda method of stirring up interest in the transportation situation. Measures of a more serious character were indispensable. And these measures were concerned particularly with the productivity of labor.

Back in 1919 all the railroads of Soviet Russia were ordered under military control, as an industry indispensable for the conduct of the wars which were then in progress. But the railroads were never actually militarized. The railroad workmen remained to a large extent hostile to the Soviet régime. Yet in 1919 no measures of coercion were taken to overcome this hostility and the resulting lack of productivity. The only thing that was actually done along these lines was a registration of all persons formerly employed on the railways but no longer working there. This registration was ordered by the decree of December 14,

1919, and was completed in most places by February, 1920. The results of this registration in Moscow showed that there were five hundred former railroad employees in the capital, of whom 115 were doing indispensable work along other lines. These men were left where they were, while of the others, several scores of engineers and technicians and about two hundred and fifty skilled workmen were ordered to railroad work.\*

A more important measure in this connection was taken in February, 1920, when, by the decree of February 7, a mobilization was ordered of all persons employed in any mechanical capacity on the Russian railroads during the past ten years. The results of this mobilization, however, were so insignificant (during the first two weeks only forty-two persons were mobilized in Moscow), that it was decided to mobilize metal workers for railroad work. Five thousand metal workers in Moscow alone constituted the first contingent mobilized for work on transportation, and, as the immediate result of this mobilization, thirty-six metal works in Moscow were shut down during the same month.†

The total shortage of transport labor for 1920 was estimated at 93,000, of whom 37,500 were skilled workmen and 55,500 were unskilled laborers. It was hoped that the skilled workmen would be recruited by means of the mobilization, while the unskilled laborers it was proposed to recruit either from the Labor Armies or from the rural population within a distance

\* *Ekonomicheskaya Zhizn*, February 22, 1920.

† *Ibid.*



of fifty versts from the railroad lines.\* All these mobilizations were carried out incompletely, and the productivity of this mobilized labor when it added to the ranks of the already disaffected railroad employees can easily be judged by the sternness of the more recent orders concerning punishments to be meted out to negligent railroad workers.

The results of the work of railroad repair after the first two months of intensive agitation and the concentration of all attention on the problem of transportation are shown in Table No. 9.

TABLE No. 9

*Disabled Locomotives in January and February, 1920 †*

		Per cent. of disabled locomotives	Number awaiting repair
January	15-22.....	58.3	1,018
"	22-31.....	59.2	1,073
February	1-8 .....	60.5	1,100
"	8-15.....	60.3	1,088
"	15-22.....	60.8	1,135

Thus with maximum effort put into the repair of the rolling stock, not even the newly arriving disabled locomotives could be repaired.

Early in 1920, Trotsky took over the control of the Commissariat of Transportation, which until then had been headed by Leonid Krassin. Trotsky's work at the head of the Commissariat expressed itself particularly in the working out of a plan of railroad repair,

\* *Ekonomicheskaya Zhisn*, February 22, 1920.

† *Ibid.*, March 21, 1920.

extending over a period of four and a half years. This plan, embodied in Order No. 1042, issued May 22, went into effect on July 1 and constitutes the landmark of a new period in the efforts of the Soviet authorities to preserve Russia's railroad apparatus from falling entirely to pieces.

#### *4. The First Half of 1920*

The first half of 1920 constitutes a distinct period in the railroad situation in Soviet Russia, both because especially intensive work on the repair of the rolling stock began during the first month of this period, and because the period is followed by the application of a new plan of work. It is important, therefore, to observe the railroad situation during this period, from the point of view of general conditions, as well as of some of the principal coefficients of work.

The first characteristic thing about the period is the increase in the total amounts of the rolling stock, shown below.

TABLE No. 10

#### *Increase in the Rolling Stock \**

	1916	1917	1918	1919	1920
Locomotives . . .	22,113	21,013	17,506	9,404	18,568
Cars . . . . .	516,755	574,486	308,855	245,441	434,336

This increase in the amount of rolling stock under the control of the Moscow Commissariat of Ways of Communication is due, of course, to the fact that the period under discussion was the time when, through the de-

\* *Ekonomicheskaya Zhisn*, July 25, 1920.

feat of Admiral Kolchak and General Denikin, practically the whole of the former Russian territory came under the rule of the Soviets. As we saw in Table No. 1, because of the Soviet victories in the civil war, the total length of railroad lines under the control of the Soviet Government increased from 23,000 in January, 1919, to 48,000 in January, 1920. Later in the year, still more mileage was added to the system. And Table No. 10 shows the increase of the rolling stock due to the same cause.

But the mere increase in the amounts of rolling stock did not constitute an improvement in itself, since traffic facilities are determined by the service that can be rendered for each unit of the operating lines. Table No. 11 indicates the situation with this regard.

Part A of Table No. 11 shows an apparent improvement: the number of locomotives in running order for each one hundred versts of operating lines increased from eight in January and seven in February to 11.2 in June. At the same time, the number of cars increased from 395 to 573. But part B of the same Table shows that the percentage of disabled locomotives in June was approximately the same as in January (there is even a slight increase from 58.3 in January to 59.0 in June), while the percentage of disabled cars has shown a marked increase, from 20 in January to 22 in June.

No wonder that I. Mikhailov, in discussing the work of the Russian railways for this period,\* says:

The improvements in the work of the Russian railways which have recently become noticeable represent merely the

\* *Ekonomicheskaya Zhisn*, July 25, 1920.

TABLE No. 11 \*

*A. Number of Locomotives and Cars in Running Order per 100 Versts*

	1920		1919		1916	
	Locomo- tives	Cars	Locomo- tives	Cars	Locomo- tives	Cars
January .....	8	395	19	804	27	809
February .....	7	378	18	707	24	761
March .....	8	435	15	634	27	845
April .....	9.6	481	17	687	27	830
May .....	11	548	16	600	27	819
June .....	11.2	573	19	799	27	836

*B. Percentage of Disabled Locomotives and Cars*

	1920		1919		1916	
	Locomo- tives	Cars	Locomo- tives	Cars	Locomo- tives	Cars
January .....	58.3	20.9	47.7	16.6	18.8	3.7
February .....	60.8	22.5	49.5	18.3	17.0	3.5
March .....	61.1	22.3	52.4	18.8	17.3	3.4
April .....	60.7	23.8	52.8	20.3	16.9	3.3
May .....	59.9	22.9	52.5	21.7	17.0	4.0
June .....	59.0	22.1	49.6	18.9	16.3	4.4

stopping of further disorganization of the system of transportation, which, even at that, is close to complete paralysis. Therefore, there can be no question of any letting down in the intensity of the work of repair.

This general improvement in the railroad service is quite apparent from the following coefficients of railroad traffic:

\* *Ekonomicheskaya Zhisn*, June 14, 1920, supplemented with figures from *Ibid.*, July 25, 1920.

TABLE No. 12 \*

*A. Average Daily Run of Locomotives and Cars  
(in versts)*

	1920		1919		1916	
	Locomo-	Cars	Locomo-	Cars	Locomo-	Cars
January .....	69.5	31.4	70.0	28	112.4	41.5
April .....	71.7	37.9	71.0	33	112.4	41.5
June .....	74.7	41.4	73.0	38	....	....

*B. Movement of a Working Car (in days)*

	1920	1919	1916
January .....	12.7	11.7	6.0
April .....	10.3	9.2	5.4
June .....	8.5	8.5	4.6

*C. Daily Loading per Hundred Versts (in number of cars)*

	1920	1919	1916
January .....	14	28	48
April .....	15	27	51
June .....	18	31	59

*D. Commercial Speed*

March .....	10.2	versts	per	hour
May .....	11.8	"	"	"
June .....	12.5	"	"	"

*E. Average Size of Trains*

February .....	65.6	axles
May .....	75.5	"
June .....	75.8	"

*F. Average Cargo*

	Per car	Per train
February .....	330 pounds	11,097 pounds
May .....	349 "	12,760 "
June .....	....	13,190 "

\* *Ekonomicheskaya Zhisn*, June 14 and July 25, 1920.

Another improvement brought about during this period was in the passenger service. This branch of the railroad traffic was very badly disorganized by the war, and particularly by the disorderly and undirected demobilization which followed the first period of the Revolution. Passenger cars were destroyed or damaged, and schedules were entirely broken up. The first result of this disorganization was the giving up of the system of through trains. Then, when the whole railroad service began to break down, the passenger traffic was gradually reduced, until only one or two pairs of trains would be run on a road during the week, and these trains would never leave on time. During the first six months of 1920, the number of passenger trains was increased very considerably, and schedules again were introduced and began to be observed. Moreover, the system of through trains became reestablished, and eighteen direct routes organized, the important ones among them being the following: Moscow-Omsk (2,787 versts); Moscow-Caucasus (1,735 versts); Moscow-Archangel (1,065 versts).\*

The three fundamental difficulties with which the railroads have to deal were as pressing as ever during this period. The lack of spare parts and of metals continued acute. The shortage of skilled labor was estimated at forty thousand, mostly metal workers; while the total labor shortage was over 150,000. Lack of labor discipline still continued to be a circumstance rendering labor shortage still worse. For example, at the Viskunsk foundry, which in May was supplied with only 46.7 per cent. of the number of workmen

\* *Ekonomicheskaya Zhisn*, July 25, 1920.



it needed (the number on May 21 being only 36 per cent.), there was, in addition, an absence average of 48 per cent. The "Novaya Etna," a nail and bolt factory, was supplied with only 18 per cent. of its labor requirement. Finally, the question of fuel still continued to be critical. In 1919, all the roads used wood for their engines. The trouble with wood lay, first of all, in the fact that it had to be hauled over larger distances than coal or oil: the average distance of haulage for oil and coal is 350 versts, for wood, 775 versts. Besides, the cargo space occupied by wood is very much greater than with coal and oil: one tank car of oil is equivalent to seven carloads of wood, while one carload of coal is equivalent to four carloads of wood. At the beginning of 1920, the amounts of coal and oil which were available were still very small, while there were scarcely any supplies of wood. The Nikolayev Railroad, for example, connecting Moscow and Petrograd, had scarcely any supplies of wood as late as July.\*

There was another question which acquired special importance during the first six months of 1920. For the first time in years the railroad system began to show signs of improvement, and the matter of utilizing the railroad facilities to the fullest extent became one of great importance. But the experience in this respect during the first six months of 1920 was most unsatisfactory. In June, for example, the Department of Supplies, which is charged particularly with the duty of moving grain freight, loaded only 58 per cent. of the number of cars which were placed at its disposal in accordance with its plan of work. During the same

\* *Ekonomicheskaya Zhizn*, July 25, 1920.

month, the Supreme Council of National Economy used less than 50 per cent. of the cars placed at its disposal. Because the various departments did not use their quotas of railroad cars, during the month of June there were 35,000 idle cars and 329 idle locomotives on the various lines.\* The following table shows the extent of this underloading by the various governmental departments during the whole period:

TABLE No. 13

*Underloading by Governmental Departments †*

	Fuel	Supreme Council	Supplies
	in thousands of pounds		
January .....	42,038	3,038	no inform.
February .....	30,051	9,183	....
March .....	21,859	11,748	....
April .....	24,833	17,760	4,590
May .....	26,451	9,235	11,842
June .....	20,840	21,540	20,250

Considering the most critical situation in which Soviet Russia finds herself, particularly with regard to fuel and food supplies, this failure of the governmental departments to make use of the available railroad facilities for the transportation of their cargoes is really amazing. In this respect there are indications of but slight improvement after July 1, as is shown below.

There is no doubt that in some degree this situation is caused by lack of efficient management on the roads themselves. The actual running of the different roads

\* *Ekonomicheskaya Zhisn*, July 25, 1920.

† *Ibid.*

TABLE No. 14

*Loading on All the Railroads for July 1-10 \**

	Expected in carloads	Loaded	Per cent.
Food Supplies .....	1,537	1,055	68.6
Fuel .....	4,157	3,418	82.2
Cargoes of the Supreme Council of National Economy .....	1,400	861	61.5

is in the hands of committees of railroad employees and of special agents, the latter being appointed by the Commissary of Ways of Communication and responsible to him. There is necessarily always a clash between these two organs of management, whose functions do not seem to be clearly defined in either case. The kind of incidents that may take place on the railroads in Soviet Russia under their present system of management may be seen from the following story.

On March 9, 1920, a complaint was lodged with the Præsidium of the Supreme Council of National Economy, in which it was stated that on January 26, a train left Tashkent, the capital of Turkestan, carrying twelve tank cars of cotton seed oil, loaded there in response to an urgent request from Kazan. To this train was also attached a special car, in which the President of the Turkestan Central Executive Committee, Comrade Anin, was traveling to Moscow. On January 28, Anin ordered the tank cars taken off the train, because they were too heavy and retarded his progress, making him apprehensive lest he should not arrive in Moscow in time to attend a certain conference. Instead of the tank cars, Anin ordered twelve carloads of wood attached

■ *Ekonomicheskaya Zhisn*, July 27, 1920.

to his train to be used as fuel for his engine. The oil was left at the small station of "Chili," while the train proceeded to Moscow in its new formation.\* This is merely an illustration of the lack of effective management in so important a matter as the transportation of vital necessities.

### 5. *The Rehabilitation Plan*

The plan for the rehabilitation of the rolling stock on the Russian railroad system is embodied in Order No. 1042, issued on May 22, 1920, by the Commissariat of Ways of Communication and over Trotsky's signature as the acting head of the Commissariat. This plan is based on several considerations of past experience, and is expected to return the Russian railroad system to what is considered normal condition within fifty-four months.†

The actual carrying out of the plan began on July 1, 1920. It was estimated in Order No. 1042 that on that date there were on all the railroad lines in Soviet Russia, sixteen thousand locomotives, of which 9,600 were disabled and 6,400 were in running order. It is intended to keep the whole number of locomotives constant through the period covered by the plan, and to change the ratio between the disabled and the running locomotives to what it was before the Revolution, viz., one to four. In other words, by January 1, 1925, there should be 12,800 locomotives in working order and 3,200 disabled locomotives.

\* *Ekonomicheskaya Zhisn*, March 23, 1920.

† The text of the Order is found in *Ekonomicheskaya Zhisn*, May 29, 1920; the explanation, in *Ibid.*, May 30.

In the Order itself, the following fundamental features of this plan are pointed out: First, the number of locomotives on the railroad lines of Soviet Russia shall remain constant during the whole four and a half year period, the figure being as on July 1, 1920, or 16,000; second, the plan entirely disregards the possibility of importing new locomotives from abroad; third, it is expected that the work called for by the plan would be carried out by means of the equipment and the facilities found in Russia at the present time, and the possibility of importing spare parts and machinery from abroad has been deliberately left out of the plan. The following Table shows the whole plan in greater detail:

TABLE No. 15

*A. Number of Locomotives Expected to Undergo Major Repairs*

	R.R. shops	Foundries	Total
1920 (2nd half) . . . . .		300	300
1921 . . . . .	400	1,400	1,800
1922 . . . . .	800	1,400	2,200
1923 . . . . .	1,200	800	2,000
1924 . . . . .	1,600	550	2,150
Total . . . . .	4,000	4,450	8,450

*B. Number of Locomotives Expected to Undergo Minor Repairs*

	R.R. shops	Foundries	Total
1920 (2nd half) . . . . .	4,000	300	4,300
1921 . . . . .	9,000	1,500	10,500
1922 . . . . .	10,700	600	11,300
1923 . . . . .	12,500	....	12,500
1924 . . . . .	14,300	....	14,300
Total . . . . .	50,500	2,400	52,900

If this plan is carried out, then in 1925, twenty-one hundred locomotives would pass through major repair and sixteen thousand would undergo minor repair. It is expected that by 1925 the time for major repair would be reduced to two months and for minor repair to three weeks. This would mean that the average of locomotives not in operation during the year because of repair would be about 20 per cent.

The experience of locomotive repair in the past months is taken by the Commissariat as part of the basis for its calculation for the first six months of the plan. During June, for example, 666 units of minor repair were turned out; the plan allotment for July is 683 units. The quotas of the succeeding years increase in increments of from ten to fifteen per cent. on the basis of the work of the current year.

There is one feature in the plan, however, that does not seem plausible even on the face of it: the constancy of the number of locomotives. The question of wear and replacement is obviously entirely ignored, except from the point of view of the importation of rolling stock. And Order No. 1042 gives warning that no importation should be expected during the period covered by the plan. At the same time nothing is said about replacement through home production, and not a word about wear.

Turning again to I. Mikhailov, as the Soviet authority on railways, we find the following discussion of the needs of rolling stock on the Russian railways and the facilities for replacement.\*

The number of locomotives needed for each hundred

\* *Ekonomicheskaya Zhizn*, March 7, 1920.



versts of the line is thirty. Taking the total length of the lines as 60,000 versts, the total need of locomotives is about 18,000. The number of freight cars is estimated at thirty to each locomotive, or 540,000 for the whole system.

The average life of a locomotive under the best conditions is twenty-five years. Under fairly normal conditions, it is about half that period. On the basis of the age of the locomotives on the Russian railroad system, it is estimated that normally thirteen hundred locomotives and thirty thousand cars are annually lost by the service through wear. Considering the present situation on the Russian railways, the wear must be greater than normally, the average life of a locomotive, consequently, shorter, and the loss through wear at least as high as the figure for normal time. Since this is so, then it seems inconceivable how the number of locomotives can possibly be kept at a constant figure, without continuous and effective replacement.

Now, what are the facilities in Russia for building rolling stock. Again, on the basis of I. Mikhailov's discussion of the question, we get the following figures:

In 1912-13 an investigation was made of the Russian foundries and shops with a view of ascertaining their capacity for building locomotives and cars. It was found that, when working at a maximum speed, all the Russian car and locomotive works can produce from seventeen to eighteen hundred locomotives and from forty to forty-five thousand cars a year. The actual production, however, has never even approached these figures, as may be seen from the following table:

TABLE No. 16

*The Output of the Russian Car and Locomotive Works*

	Locomotives	Cars of all description
1906.....	1,281	.....
1907.....	756	.....
1908.....	641	.....
1909.....	514	.....
1910.....	495	8,103
1911.....	416	7,283
1912.....	363	10,130
1913.....	535	19,042
1914.....	816	31,855
1915.....	903	33,124

In 1916 the output of these works dropped down again to a very low figure. The two years following, 1917 and 1918, gave still poorer results, and 1919 gave but 49 new locomotives.

In view of the fact that Russia has lost some of her car and locomotive works (in the Baltic Provinces, for example), the total output cannot now be as great as it was before the Revolution. Theoretically, the Russian works may be able to produce about five hundred locomotives and fifteen thousand cars a year. But in reality, of course, such figures seem entirely Utopian; while in view of the vast work of rehabilitation and repair of the already existing rolling stock, production of new rolling stock on anything like this scale seems humanly impossible.\*

\* In 1918, during his stay in the United States as the head of the Russian Railways Mission, Professor Lomonossov, now a prominent member of the Commissariat of Ways of Communication, estimated Russia's need in locomotives for purposes of replacement and extension as no less than two thousand ■ year. His estimate of the possible

In view of this situation, it seems incomprehensible how it would be possible to keep the number of locomotives constant during a period of four and a half years without importation and, apparently, without appreciable replacement at home. Unfortunately, neither Order No. 1042 nor the explanations of the plan of rehabilitation embodied in it which accompany the Order, offer any light on this subject.

Nor are the reports concerning the actual work of railroad repair in accordance with Order No. 1042 indicative of success. It is true that the percentage of disabled locomotives in September, 1920, was 57.1, while in January, 1920, it was 58.1; but that is merely the normal improvement in the railroad situation that comes during the summer months as compared with the winter months. Moreover, the slight improvement in the condition of the locomotives was achieved at the expense of car repair; the percentage of disabled cars in September, 1920, was 24.8, as against 19 in January of the same year.\*

The statistical data concerning the work of repair on the railroad rolling stock during the second half of 1920 shows good results for the efforts of the railroad repair shops, and very poor results for those of the metallurgical foundries. The railroad shops have produced nearly all that was expected of them and in some

output of the Russian works was six hundred and fifty locomotives a year, provided radical changes were introduced in the methods of production. The falling off in the output of the Russian works he explained as the result of the policy of the State Railways Administration, which in 1910 ordered only 195 locomotives, instead of over a thousand as in 1906, thus forcing most of the works to turn to other fields.

\* *Ekonomicheskaya Zhizn*, November 7, 1920.

instances more. But, as may be seen from Table No. 15, they were asked to do only minor or current repairs. Major repairs were to be done by the foundries, controlled not by the Commissariat of Ways of Communication, but by the Supreme Council of National Economy. These foundries turned out, from July 1, 1920, to January 1, 1921, only 233 repair units, out of the 600 allotted to them by Order No. 1042, or only 38.8 per cent. of the amount expected.\*

The question of locomotives is the most acute and the most pressing of the railroad problems in Soviet Russia, and it receives special attention. But it is not, of course, the only problem. The question of the rehabilitation of the cars is also a pressing one, though not in the same degree as that of locomotives. However, very intensive work must be done on the cars, as well as the locomotives. And, naturally, difficulties of a similar nature are encountered here.

The question of road maintenance and possible exten-

\* Moscow *Izvestiya*, February 11, 1921. In commenting on the situation created by this failure on the part of the foundries to perform the task assigned to them under Order No. 1042, the report from which these figures are taken, says:

"The outlook for 1921 is still worse. The expected number of repair units is 2,200. Yet the Metal Division has asked the shops for only 733 units, or 33 per cent.; the smoke stack allotment is one-half of the expected number, while that of metal parts is 40 per cent. In view of the hopelessness of the smoke-stack situation, an order has been given to remove stacks from disabled locomotives.

"Thus it appears clear that no matter how energetically proceeds the work of the Commissariat of Ways of Communication, the lack of activity on the part of the Supreme Council may reduce to naught all that work and upset the whole "shock" program of order No. 1042, with the result that the work of railroad repair will again come to a stop.

"It is clear that the Supreme Council of National Economy must take all possible measures to deliver 100 per cent of the order for repair placed with it, instead of one-third, especially since we have nothing else to rely on in the work of rehabilitating our system of transportation."

sion is also one that cannot be neglected. The Commissariat of Ways of Communication has a plan of road construction and maintenance for the years 1920-21, which calls for the following work: Construction of 3,644 versts of new rail lines, 300 versts of branch lines, and 1,500 versts of special branch lines for the transportation of fuel; laying of 1,480 versts of beds; repair of over five thousand versts of lines damaged by the war on various fronts; and other work of local construction and repair. Moreover, it is proposed to make a preliminary survey for 10,790 versts of new lines, and final survey for 14,122 versts.\* To what extent this program, which is very modest when compared with the amount of similar work done in normal times, but very extensive considering the present situation, will be carried out, there is no telling. Reports published so far have been very vague, and, in most cases, scarcely encouraging.

### 6. *The Waterways*

Russia is very favorably situated as far as her waterways are concerned, both from the point of view of the length and the direction of her navigable rivers. A country of tremendous distances, Russia is very fortunate in having several long rivers, most of them having their sources in or near the central part of the country, and with their basins close to each other through their numerous tributaries. Moreover, most of these rivers are navigable, or can be rendered so without much difficulty. In European Russia alone

\* *Ekonomicheskaya Zhisn*, July 27, 1920.

there are 232,000 versts of waterways (rivers and lakes) fit for navigation, of which, however, only 42,000 versts are actually navigable at the present time. The importance of these waterways as means of transportation may be seen from the fact that during 1907-11 the traffic on the waterways was equal to fully 50 per cent. of the total railroad traffic of the country.\*

There are numerous canals in the various parts of the country, particularly in the central and northwestern parts. But most of these canals are old and need attention, while at the same time there are various new projects of canal construction that press for action.

Under the Soviet régime, the work on the construction and the maintenance of waterways was, at first, placed in the hands of the Committee on Public Works, which is a department of the Supreme Council of National Economy. Recently, however, the administration of the waterways was taken out of the hands of this Committee and was given over to the Commissariat of Ways of Communication, which already had charge of the railways.

There are several important problems in waterways construction and repair. In the north, work must be done on the system of canals in the vicinity of Petrograd, and also on a very extensive system in the region of the White Sea. In this latter region there is already in existence a system of canals, connecting various lakes and rivers, but this system is both inadequate and does not provide access to the White Sea.

\* The general considerations concerning the Russian system of waterways are based mainly on the information contained in the *Soviet Yearbook* for 1919, loc. cit.



With the completion of the new system, having adequate outlets to the White Sea, the vast natural wealth of the North will become available. There are nearly one hundred and fifty million acres of timberland in the Governments of Archangel, Vologda and Olonetz; platinum, gold, copper, iron, salt and sulphur in the Pechora district; petroleum in the Ukhtinsk Basin of the same district; platinum and gold in North Urals. All this wealth is inaccessible at present because of lack of communication.

In the central part of Russia work must be done on the Moskvoretzk system, and considerable dredging on the Volga.

In the south, two very important projects are pressing for action. The first is the construction of canals around the Dniepr Rapids, which would make that long and important river, traversing the great grain belt of Ukraina and New Russia, navigable almost its whole length, from Western Russia to the Black Sea. The second is the construction of a canal connecting the Volga and the Don Rivers, thus joining the Black and the Caspian Seas. Such a canal would make it possible to supply the Ural metallurgical field with the Donetz coal, which is particularly important in view of the exhaustion of the iron ore region at Krivoy Rog, near the Donetz coal basin. Until now the great difficulty of the Ural district, which is very rich in iron ore, has been the lack of coal, the carting of which by rail from the Donetz basin located near the Black Sea has never seemed quite possible. Another advantage of this canal would be the possibility of shipping grain by

water to Central Russia and of carrying petroleum to the provinces in the south and the southwest. Still another advantage would lie in the possibilities which would thus be opened for the development of the Trans-Caspian Territory. There is also a plan of connecting by a canal the Kama river (a tributary of the Volga) with the river Ob in Siberia. These two canals, the Volga-Don and the Kama-Ob, would provide water connection between the Black Sea and most of Western Siberia, opening up enormous possibilities of economic development for a huge territory.\*

The Soviet specialists realize the importance of all this work, but, as with all other work of similar nature, very little is being done, although very large sums of money are appropriated and spent. In the second half of 1918, for example, 157,000,000 roubles were appropriated and spent for construction work on the waterways, with scarcely anything to show for the expenditure of this large sum of money.

In the meantime, however, water transportation continues to play an important part in the whole system of transportation, particularly in view of the breakdown of the railroad system. However, the situation as far as the river fleet is concerned is scarcely better, from the point of view of equipment and operation, than the railroad situation.

\* The importance of a canal connecting the Volga and the Don basins has been realized for a number of centuries. As far back as the XVIth century, the Turkish Sultan Suliman began the construction of a canal, connecting the tributaries of these two rivers. But the work was abandoned for lack of engineers. Peter the Great took up this work later, but also did not finish it. It was only at the end of the past century that serious attention began again to be paid to the matter.

At the Third All-Russian Congress of Water Transport Workers, held in Moscow in March, 1920, a report was made on the general condition of the waterways.\* The most important feature of the situation was the loss of river craft, particularly of power boats, due mostly to the exigencies of the civil war. The number of power boats on the Volga system, for example, was estimated as forty per cent. less than before the Revolution; on the Mariinsk system, the loss of power craft is thirty-nine per cent.; on the Northern system, nearly fifty per cent. Most of the boats that remain are old, since few have been built in recent years. The construction program, both as far as the system of waterways and the river fleet are concerned, prescribed for the year 1920, could scarcely be carried out to the extent of fifty per cent.

Lack of fuel was the chief handicap. During 1919, two million pouds of liquid fuel were furnished to the system, while during 1920, scarcely 100,000 pouds were expected. The number of boats ready for navigation at the time of the report was 134 passenger-freight boats, 450 tugs and 850 barges. No new boats were being built, although orders for them were ready to be placed. But these orders could not be filled, again for lack of fuel; wood alone was available, but even it is not found everywhere along the water routes. Moreover, there was a shortage of both materials and labor.

The total number of river craft on the Volga system

\* *Ekonomicheskaya Zhizn*, March 21, 1920.

of waterways in Soviet Russia was estimated as follows at the beginning of 1920:

TABLE No. 17

*Total Number of River Craft\**

	Power boats	Barges	Tonnage (in pounds)
1. Volga system .....	958	4,844	362,091,407
2. Mariinsk system .....	940	5,617	121,106,999
3. Northern system .....	227	403	19,173,007
4. Dniepr system .....	178	208	3,824,200
Total .....	2,303	11,072	506,195,613

While the total number of river craft is thus thirteen and a half thousand, most of these boats and barges require repair. The repair facilities are as follows: On the Volga system there are 113 repair shops, employing 14,950 workmen; on the Mariinsk system there are 33 shops with 2,140 workmen; on the Northern system there are four shops with about 300 workmen; on the Dniepr system, five shops with about a thousand workmen; on the Northwestern system, three shops, with 150 men. In this list are included all of the repair shops, even the smallest ones. All of these repair shops are old and poorly equipped. Not one of them, for example, is fitted with machinery for steel casting; all work requiring this process must be ordered from shops of other departments. Besides the repair shops, there are also twenty-seven docks (including those in the Astrakhan and Azov-Black Sea regions). Only one of these docks is iron; the rest are wooden and in

\* *Ekonomicheskaya Zhisn*, February 19, 1920.

very poor condition. Those that are still working are used most of the time for repairing craft belonging to the Commissariat of Marine.\*

The first period of navigation on the waterways of Soviet Russia for the year 1920 ended on June 1. The following table shows the results of this period from the point of view of the tonnage transported, a comparison being made with the corresponding period in 1919:

TABLE No. 18

*Shippings on the Waterways up to June 1, 1920†*

	(in thousands of pouds)	
	1920	1919
Grains .....	3,535	1,200
Salt .....	681	2,500
Wood and timber .....	5,372	5,900
Others (incl. petroleum).....	1,588	6,400
Total .....	11,176	16,000

Thus, the total tonnage shipped in 1920 was less than that shipped in 1919 by nearly forty-five per cent.‡

\* *Ekonomicheskaya Zhisn*, February 19, 1920.

† *Ibid.*, June 13, 1920.

‡ The table given here was used by I. Mikhailov in an article on the results of the spring navigation, published in the *Ekonomicheskaya Zhisn* of June 13, 1920. These figures and the resulting conclusion concerning the decrease of shipments in 1920 as compared with 1919, were challenged by U. Larin, in the Moscow *Pravda* of June 15. Larin claimed that the shipments during the spring navigation of 1920 increased almost fourfold as compared with 1919, the total tonnage shipped, according to him, being nearly forty-five million pouds. In replying to this statement, Mikhailov showed, in the *Ekonomicheskaya Zhisn* of June 20, that Larin's figure for 1919 (which is the same as Mikhailov's) refers to shipments actually delivered, while the figure for 1920 refers to cargoes loaded and on the way, thus vindicating his original conclusion.

It was expected that the first period of the navigation would make possible the moving of over 157,000,000 pouds. The total amount loaded, however, up to June 1 was scarcely over fifty million pouds. The plan for the second period of the navigation season originally called for 261,000,000 pouds, but it was later on reduced to about 180,000,000 pouds.\* The second period, however, showed considerable improvement, largely because practically half of all the oil brought from the Caucasus was placed at the disposal of the river fleet, thus relieving considerably the fuel situation. Up to July 20, the total shipments on the Volga system were 141,990,000 pouds, and the deliveries 89,645,000 pouds; on the Mariinsk system, the shipments were 83,753,000 pouds and the deliveries, 76,413,000 pouds; on the Northern system the shipments and the deliveries were a little over fifty million pouds.†

The number of boats used on the Volga system for the 1920 navigation was as follows: 181 passenger-freight boats; 544 tugs; 1,940 barges (131 in repair).‡ In other words, considering the loss during the past three years, less than half of the power boats which were in operation on the system before the Revolution were actually running during the navigation season of 1920. Of the barges available even after the losses, less than forty per cent. were in use. This appears to be an even poorer showing than with the railroads.

And just as with the operation of the railroads, on the waterways there is a flagrant lack of coöperation be-

\* *Ekonomicheskaya Zhisn*, June 13, 1920.

† *Ibid.*, August 8, 1920.

‡ *Ibid.*, July 27, 1920.



tween the departments of the Government requiring cargo space and the administration of the waterways. There is a failure to use up the cargo space asked for, similar to that which we discussed in the case of the railways. Such important cargoes as fuel, for example, are not loaded to the capacity of the cargo space available. An example of this kind of underloading may be seen in the following instance: Cargo space was asked of the administration of the Volga system for the shipping of 143,850 barrels of cement. This cargo space was provided, but the actual loading was only 15,042 barrels.\*

### 7. *The Transportation Budget*

The budget estimate of the Commissariat of Ways of Communication was not actually worked out for the year 1920 until July of that year. Up to that time, the Commissariat simply spent money, without showing for what those huge sums were spent.

Now, what does it cost Soviet Russia at the present time to run her system of transportation? It is to be expected, of course, that this cost would be greater than it was in normal times, in actual monetary units, since the rouble has become depreciated to but a small part of its normal value. But even in comparison with the preceding two years of the Soviet régime, the management of the Russian railways since Trotsky took it over, has shown a tendency for a stupendous increase of expenditures. The following table gives these comparative figures of the transportation budget

\* *Ekonomicheskaya Zhizn*, July 27, 1920.

of Soviet Russia as far as the railroad system alone is concerned:\*

TABLE No. 19

Period	Receipts	Disbursements	Deficit
	(in millions of roubles)		
1st half of 1918 .....	641	3,993	3,352
2nd " " .....	413	3,750	3,307
1st " 1919 .....	913	5,073	4,150
2nd " " .....	1,651	10,826	9,175
For 1920 .....	18,954	70,220	51,266

The characteristic features of the budget estimate for 1920 are as follows: 1. The increase of the total length of the railway lines to almost double of what they were in 1919; 2. The growth of expenditures per unit of operating lines over the figures for 1919; 3. The increase of passenger and freight rates to a considerable degree.

It is clear, however, that the increase of rates, no matter how considerable, has not been sufficient to even approach the figure of the disbursements. During the whole of 1919, the receipts of the railways were a little over two and a half billion roubles. With the doubling of the system, the receipts normally would be about five billion roubles; they are estimated for the year 1920 at eighteen billion roubles, or an increase of about 350 per cent. At the same time, the disbursements for 1919, which totaled up to nearly sixteen billion roubles, when doubled to take care of the increase of the system, represent less than half of the

\* The data on the financial situation of the system of transportation is taken from a statement on "The Budget Estimate of the People's Commissariat of Ways of Communication," published in the *Ekonomicheskaya Zhizn*, August 1, 1920.

estimated expenditures for 1920. There is little wonder, then, that the total deficit for 1920 is more than three times the deficit for 1919.

The last available figures of passenger rates in Soviet Russia refer to the increases ordered on December 1, 1919.\* By that order the cost of travel from Petrograd to Moscow was set at 320 roubles; to Novgorod, 195 roubles; to Vologda, 300 roubles; to Omsk, 770 roubles, etc.

During the present year, the Rate Division for the railways and the waterways was taken out of the hands of the Commissariat of Finance and transferred to the Commissariat of Ways of Communication. One of the first results of this transfer was the introduction of a new freight tariff, different both because of the increase of the rates, and because of the simplification of the classifications used. There are now seven main groups, instead of over one hundred classes and differentiations, as formerly. Even the special nomenclature and the form of shipping documents formerly in use are being revised.

The largest item from the point of view of disbursements comprises the expenses for the operation of railways. In 1919 these operation expenses were 13,945 million roubles; in 1920 they are 41,460 million roubles. Expenses entailed by the war (rebuilding, repair, etc.) call for five billion roubles in 1920, as compared with only 574 million roubles in 1919. Railroad improvements required in 1920 two and a half billion roubles, as against 27 million roubles in 1919.

The total annual expenditures for one verst of the

\* Petrograd *Pravda*, December 2, 1919.

railway lines in Central Russia are estimated for 1920 at 800,000 roubles; in 1919 the corresponding expenditures were 524,000 roubles, while in 1916, on the state-owned railroad lines, they were but 14,300 roubles. The expenditures for each verst of the railroads in South Russia are taken at 600,000 roubles, and corresponding expenditures at the front, at 400,000 roubles.

This considerable increase in the expenditures on the railway system is accounted for in the Statement on the Budget Estimate, referred to above, by increases in wages and in the cost of materials. These increases are cited, in some instances, as amounting to 150 per cent. Since the total increase of the expenditures of the railway system is over 200 per cent., it is clear that the cost of labor and of materials is not sufficient to explain the whole increase in the disbursements. A large part of this stupendous increase, resulting in a deficit of fifty billion roubles, is due to the increase of overhead expenses.

## CHAPTER II

### FUEL AND RAW MATERIALS

WITH transportation as the greatest of the economic problems and difficulties of the Soviet régime, the question of fuel constitutes the second problem from the point of view of importance and acuteness. These two problems, with the question of raw materials added incidentally, constitute the great *mechanical* (as contrasted with the *human*) factors of the Soviet economic régime. The two characteristic features of the fuel and the raw material situation during the period of the war and, particularly, of the Revolution, were, first, the shortage of both, which at times reached the stage of extreme acuteness, and second, the withdrawal from the control of the Central Russian authority of various sources of both fuel and raw materials, in the case of the former rendering necessary the substitution of one kind for another.

#### 1. *The Normal Fuel Situation*

With all her immense natural wealth, which comprises also all kinds of materials that can be used as fuel, Russia has never had a really adequate supply of fuel. Although it is true that before the war she exported certain quantities of coal and petroleum, it

is also true that she imported both coal and petroleum products, and still was never sufficiently supplied to take care of her needs.

Coal is found in Russia in numerous localities, but not all the deposits are available for work, because of lack of transportation facilities. The most important of the coal fields, the Donetz basin, located in the southern part of the country near the Sea of Azov, produced normally nearly half of Russia's consumption of coal. It could produce more, but the shipping of this coal to the central and northern, i. e., the industrially developed parts of Russia, was an almost insurmountable difficulty. The coal had to be shipped by rail over very large distances, since the waterways, which may some day be available for this purpose, are still impossible of use. Normally, the amount of coal moved by water was only one-forty-sixth of the amount moved by rail. The surplus of the Donetz production of coal was exported, particularly to Italy.

The other localities abounding in coal were Poland (the Dombrow basin), the province of Moscow, the Urals, Turkestan, and Siberia. Of these localities none was important from the point of view of production, although the coal fields in Siberia are tremendously important from the point of view of possibilities. The Kusnetzk basin in Siberia, for example, is considered one of the largest coal fields in the world, but it is neither studied adequately, nor connected with civilization by any means of transportation on even a fair scale.

Petroleum is also found in several localities and in fairly large amounts. Russia's output of petroleum



in 1913 was nearly twenty per cent. of the total world output, second only to that of the United States. The most important petroleum region is in the Caucasus, where petroleum is obtained in four localities. There is also petroleum in the Ural Mountains and in Turkestan. Again, just as with coal, some of what are believed to be the largest oil fields are not worked, because of lack of transportation facilities. Such fields are found particularly in the Transcaspian Territory.

Wood is found in many parts of Russia, although the really important and extensive timberlands are found in the northern part of European Russia and in Siberia. Again, because of lack of transportation facilities, some of the largest timber tracts are still inaccessible.

Another material which can be used for fuel purposes is peat, found in the marshy and lake regions in many parts of central and northwestern Russia. Before the war, certain amounts of peat were used for industrial purposes around Petrograd and Moscow and for home fuel in some parts of Lithuania and White Russia. Scarcely any real attention was paid, however, to the fuel possibilities of these deposits of peat, although their amount available for various purposes is larger than in all the rest of Europe put together.

Finally, as a source of fuel, Russia is abundantly supplied with potential water power, or "white coal," of which, however, very small use is being made. Of Russia's potential twelve million horsepower of "white coal" (a very conservative estimate), scarcely ten thousand, or eight-one-hundredths of one per cent., were utilized.

Normally, the most important source of fuel was, of

course, coal. In 1913, its consumption was well over two billion pouds. Next in importance was petroleum, followed by wood.

## 2. *The Situation During the War and the Revolution*

The war played havoc with much of the fuel situation in Russia, particularly as far as coal was concerned. Roughly speaking, half of Russia's total coal supply was furnished by the Donetz basin, a quarter was supplied by the Dombrow basin and the other fields, and the last quarter was imported from England through the ports of the Baltic Sea. After the war began, the importation, naturally, came to an end. The Dombrow basin was lost to the Germans together with the rest of Poland also in the early stages of the war. On the other hand, the exportation of coal from the south to Italy also was stopped with the closing of the Dardanelles. The whole output of the Donetz basin could then be diverted to internal use. But this was rendered difficult because of transportation. However, that problem was solved somewhat, and the Donetz basin fields came to supply nearly eighty per cent. of Russia's total consumption of coal.

Nevertheless, a fuel crisis was inevitable. It began to show the first signs of development late in 1915 and in 1916, and reached its acutest stage in 1919.\*

Early in 1920, in making up the fuel estimate for the year, the Technical Division of the Chief Fuel Committee computed the consumption of fuel in Russia

\* *Ekonomicheskaya Zhisn*, July 6, 1920.

during the years following the beginning of the crisis.\* These figures, shown in Table No. 1, cover the thirty-one Governments of Central Russia and the Volga section. All forms of fuels are converted into their equivalents in wood, and the unit of measure taken is the cubic sazhen (one sazhen is equal to seven feet).

TABLE No. 1

Year	Total amount of fuel (in cu. sazhen)
1916.....	17,019
1917.....	13,046
1918.....	9,497
1919.....	7,115

According to the same computation, the "starvation minimum," i. e., the amount considered absolutely essential to the life of the country, is from ten to eleven million cubic sazhen, again converting all forms of fuel into their equivalent in wood. Thus, 1917 was the last year in which Russia still had anything approximating what is considered the absolute minimum of fuel. The chief reason for that was, of course, that 1917 was the last year during which Russia still retained uninterrupted possession of her principal source of coal supply, viz., the Donetz basin. In 1918, the Donetz basin was captured by the Germans during the invasion of Southern Russia, while after the armistice it fell into the hands of Petlura's Ukrainian Government. It was not recaptured by the Bolsheviki until early in 1919, and in the summer of that year was again lost by them, this time to General Denikin's

\* *Ekonomicheskaya Zhisn*, February 17, 1920. Figures contained in Tables 1, 2, and 3 are taken from this source.

Volunteer Army. It was not recovered by the Soviet Government until late in the spring of 1920.

Precisely the same thing happened to the petroleum fields, for the possession of the Caucasus oil fields corresponded chronologically almost exactly with the changes in the possession of the Donetz basin. The only difference was that there were comparatively larger stock supplies of oil than of coal in Central Russia.

Efforts were made to increase the amounts of wood prepared for use, but these efforts were of no avail. In spite of the fact that wood became the only kind of fuel available at all periods, since the timberlands of Central and Northern Russia were most of the time in the hands of the Soviet Government (except in the Archangel territory), the amount of wood prepared for use and used not only did not increase, but actually decreased. And this, too, in spite of the fact that at the end of 1918 and all through 1919, practically all the factories, locomotives and power boats had to use only wood and had their machinery adapted to its use.

The following table shows the relative amounts of the different kinds of fuel used during this period:

TABLE No. 2

*Kinds of Fuel Used*

Year	Donetz Coal (in thousands of pounds)	Petroleum (in thousands of pounds)	Wood (in thous. of cu. sazhen)
1916.....	506,498	230,597	7,783
1918.....	126,960	83,052	6,490
1919.....	100	25,580	6,317

Finally, in the next table, we see how these amounts of fuel were allotted among the different categories of consumption through these years, and which categories suffered most because of the growing acuteness of the crisis:

TABLE NO. 3

*The Categories of Fuel Consumption*

(All kinds of fuel converted into equivalent in wood.)

	1916	1917	1918	1919
	(in thousands of cu. sazhen)			
Population in the cities....	2,256	2,500	2,517	1,500
Water and light.....	541	478	352	273
Industry .....	5,247	4,076	3,221	2,107
Transportation .....	8,975	5,992	3,407	3,275

The conditions of life for the civilian population in the cities, due to the shortage of fuel, may be seen clearly from the first two categories in Table No. 3. Both as far as home heating, and water and light supply were concerned, the Russian cities, even in 1916, were already in a condition closely approaching critical. The further reductions in the amount of fuel available for these two purposes, as shown in the table, are clearly indicative of those unimagined sufferings because of cold and exposure that have been reported from Russia during the past three years. And it must be remembered, moreover, that these official computations are hardly minima, but are more likely to be maxima; so that the actual situation was, probably, even worse than is pictured here.

As for the decrease in the amount of fuel supplied to the industries and the means of transportation, there

is no doubt that it is partly cause and partly effect. The breakdown of both the industries and the means of transportation was due to other causes, as well as lack of fuel, so that in any event, they would not have needed during the years of the acute crisis the amounts which they normally consumed.

In making their fuel estimate for the year 1920, the Soviet authorities had two possibilities in mind. The first was based on the continuation of the same fuel resources as were available in 1919, meaning another year of fuel crisis that would be just as acute as during the preceding year. The second was conditioned on a decisive victory on the southern front against General Denikin and the consequent acquisition of the Donetz coal basin and the Caucasus oil fields.\*

The first estimate is based almost entirely on wood, the expected amount of which is given at a somewhat higher figure than the amount actually obtained in 1919. The amount of petroleum appearing in the first estimate represents the actual stocks on hand. The coal figuring in it was expected from the Moscow and the Ural basins.

In the second estimate, conditioned on a victory in the South, the amount of petroleum is very considerable, because the Caucasus fields have been preserved in rather good condition. The coal output is also given at a rather high figure both for the Donetz basin and for the Moscow basin. Even the expected amount of wood is given at a higher figure in the expectation that the increase in the amounts of coal and petroleum would

\* The figures for the two estimates and the incidental explanations are taken from the *Ekonomicheskaya Zhizn*, February 17, 1920.



improve transportation and render the carrying of wood easier. The following table shows these two estimates for 1920 in detail:

TABLE No. 4

*A. First Estimate*

Petroleum .....	2.5	million pouds
Coal (Ural basin) .....		
" (Moscow) .....	31.2	" "
Peat .....	70.2	" "
Wood .....	7.9	" cubic sazhen.

---

Total (converted into equivalent  
in wood) .....8.7 million cubic sazhen.

*B. Second Estimate*

Petroleum .....	125	million pouds
Coal (Donetz, etc.) .....	300	" "
" (Moscow) .....	60	" "
Peat .....	100	" "
Coke .....	3.3	" "
Wood .....	8.5	" cubic sazhen.

---

Total (converted into equivalent  
in wood) .....13.3 million cubic sazhen.

The first estimate would give the country enough fuel to supply fifteen to twenty per cent. less than the "starvation minimum," while the second estimate would, apparently, exceed this "minimum" by about the same percentage.

The difference in the distribution for the different categories of consumption would be as follows: under the first estimate, the population in the cities would re-

ceive one and a half million cubic sazhen; under the second estimate, two and a fifth million. Transportation, under the first estimate, would be given 4.6 million cubic sazhen; under the second estimate, 5.7 million. Industry was expected to be the real winner if the second estimate could be carried out: its allotment under the first estimate was 2.6 million cubic sazhen, and under the second, 5.4 million.

But it must be remembered that this improvement under the second estimate, presumably shown by the increase in the absolute figures, is, in reality, no improvement at all. With the acquisition of the coal and petroleum fields in the south of Russia, the Soviet Government would also acquire control over, and consequently assume responsibilities with regard to the fuel supply for a very large territory, i. e., practically the whole of what was formerly European Russia, instead of only the central, northern and eastern parts of it. The fuel requirements of the territory which the second estimate would obviously cover would be very much larger than those of the territory covered by the first estimate. This difference will become perfectly apparent from the following comparison of figures: in 1916 the fuel requirements of the whole of European Russia for the three categories of consumption under consideration (the population in the cities, transportation and industry) was thirty-five million cubic sazhen, with all forms of fuel converted into their equivalent in wood; the requirements of the thirty-one Governments to which the original estimate applies, was only about seventeen million cubic sazhen, or less than half.\*

\* *Ekonomicheskaya Zhisn*, February 17, 1920.

The outcome of the military operations on the southern front brought about conditions in which the second estimate is the one which must be carried out during the year 1920. But as we have seen, if carried out in full, it can no more provide even the "starvation minimum" of fuel, than can the first estimate for its limited territory; and possibly it cannot do even as well.

### 3. *The Fuel Situation in 1920*

In the course of the first half of 1920 the fuel situation again assumed the character it had in 1916 and 1917 from the point of view of control by the central government of all the sources of different kinds of fuel. During this period all the coal and oil fields of European and Asiatic Russia, as well as all the timberlands, passed again under the control of the Moscow Government. Almost complete figures are available for the work of some of the sources of fuel supply for the first six months of 1920; these data are given below, separately for each kind of fuel.\*

✓ 178  
*Coal.* Of greatest interest and importance in the consideration of the coal situation is the work and the output of the Donetz basin. The following table shows the output of this basin for the first six months of 1920, with comparative figures for the corresponding period of 1913, representing the normal situation, and of 1919:

\* These figures are taken from a report on the fuel situation during the first four months of the year in a special issue of the *Ekonomicheskaya Zhisn*, June 24, 1920, and a revised report covering the first six months of the year, published in a similar edition of *Ibid.*, July 27, 1920.

TABLE No. 5  
*The Output of the Donetz Basin*  
 (Coal and anthracite)

	1913	1919	1920
	(in thousands of pouds)		
January-April .....	500,000	117,200	71,400
May .....	133,900	14,700	19,400
June .....	119,000	19,100	25,500
Total.....	752,900	151,000	116,300

Thus, the output of the most important coal basin was, during the first six months of 1920, seven times less than the output for the corresponding period of 1913. Even in comparison with 1919, there is a considerable decrease of output, amounting to 23 per cent. This decrease is particularly noticeable in comparing the figures for the first four months of 1919 and 1920. On the other hand, the output for May and June is larger in 1920 than in 1919. The explanation of these variations in the output during 1919 and 1920 lies in the mechanical factor of the variation of the number of workmen engaged in mining in the basin. The average number of workmen for the first four months of 1919 was 111,200, while the average for the same period in 1920 was only 94,400. On the other hand, the number of men employed at the mines in May and June of 1919 was 78,700 and 85,100, respectively, while the corresponding figures for 1920 were 108,000 and 117,000.\*

\* The question of labor in the Donetz basin, as well as in the other coal regions, particularly with regard to productivity, will be taken up in detail under "Labor."

Even in comparison with the estimated amounts, expected from the Donetz basin according to the Fuel Estimate for the year, the actual output is not large enough. The estimate covering these six months called for 130,000,000 pouds (about half of the amount expected during the whole year, as shown in Table No. 4). The actual output was a trifle less than 90 per cent. of the estimate.

However, the situation in the Donetz basin has not been normal since 1917, for the territory in which it lies has passed back and forth, from hand to hand, several times during the last stages of the world war, and particularly during the civil war. The unevenness and the abnormality in its production are attributable in some degree to the exigencies of the war. But when we come to the Moscow basin, situated in the very heart of Central Russia, we are no longer dealing with the direct effects of such exigencies. Table No. 6 shows the output of this basin for the first half of 1920.\*

TABLE No. 6

*The Output of the Moscow Basin*

	1916	1919	1920
	(in thousands of pouds)		
January-April .....	13,055	9,835	10,610
May .....	2,670	1,820	2,461
June .....	3,360	1,532	3,091
Total .....	19,085	13,187	16,162

\* The reason why the year 1916 is taken here as a basis for comparison is that little attention was paid to the Moscow basin before the war, its deposits being of an inferior quality and not very extensive.

Thus, the Moscow basin shows an increase of 22.5 per cent. in its total output in 1920 as compared with the corresponding period of 1919. The output is still smaller than the amount of coal extracted in 1916, but it is approaching the figure for that year, being now only 15 per cent. below it.

This more or less satisfactory condition of production in the Moscow basin, however, was obtained at a price which is truly stupendous, considering the existing economic situation: the price of diverting to the coal pits of three times as many men as were working there in 1916. The average number of workmen in the Moscow basin during the first six months of 1916 was 5,440; the average for the first six months of 1920 was 14,200.

The Moscow coal basin, located near the capital, was in an uninterrupted possession of the Soviet Government, and, consequently, under the direct supervision of the higher economic authorities. Yet, it has not only failed (in spite of the trebling of the number of workmen) to equal the output of 1916, but has not even come up to the estimate for 1920. Turning back to Table No. 4, we find that the allotment for the Moscow basin in the first estimate is over 31,000,000 pounds. The actual production approximately corresponds to this estimate. But the allotment in the second estimate (which is the one that the Soviet Government finds it necessary to carry out), is sixty million pounds, which makes the actual output of the Moscow basin only somewhat over 50 per cent. of the estimate.



The output of the other coal fields shows practically the same characteristics as in the two basins we have considered. In the Urals, for example, the Kisel basin, which has been under exploitation for some time, yielded during the first half of 1920, 7,670,000 pouds of coal, as against 31,836,000 pouds in 1916. On the other hand, the Cheliabinsk field, the exploitation of which has begun only recently, yielded in 1920, 14,811,000 pouds of coal, as against 3,227,000 pouds in 1916. The various fields in Siberia yielded comparatively small amounts of coal, which, moreover, is needed there for local consumption. All these basins, just as the Donetz basin, though not to the same degree, have been directly affected by the exigencies of the civil war.

The following table shows the total coal production for the whole of Russia under the control of the Soviet Government, during the first half of 1920 :

TABLE No. 7

*Total Coal Output, January-June, 1920*

Name of Basin	Amount
Donetz .....	116,300,000 pouds
Moscow .....	16,162,000 "
Ural .....	27,970,000 "
Siberia .....	27,124,000 "
Total .....	187,556,000 pouds

Barring the Siberian coal, the output for European Russia is about 160,000,000 pouds, or about ten per cent. less than the larger fuel estimate for 1920.

*Petroleum.* The really important oil fields did not come under the control of the Soviet Government until

late spring, 1920, so that the first half of the year cannot show anything from the point of view of the output. In June, the Chief Committee on Petroleum worked out a plan of work for the remainder of 1920, giving an estimate of the expected output of the different oil fields and the work of the refineries.

According to this estimate,\* the total output of all the oil fields under exploitation during the seven-month period from June 1, 1920, to January 1, 1921, should have been 196,200,000 pouds of crude oil. In 1913, the total output of these fields for the whole year was 561,000,000 pouds. Of the amount expected in 1920, the Baku district in the Caucasus was allotted 150,000,000 pouds. The two other oil fields in the Caucasus, the Grozny and the Kuban, were expected to yield 3,500,000 and 1,000,000 pouds respectively. The Emba fields in the Urals were expected to yield 8,000,000 pouds, and the Ferghana district in Turkestan, 2,200,000 pouds.

Considering the amounts of crude oil on hand, particularly in Baku (the production prior to occupation by Soviet troops was so large, that all the tanks were full and work had to be stopped at intervals), the total amount of petroleum to be supplied to the refineries near the oil fields was estimated as 262,000,000 pouds.

The shipping of petroleum to Austrakhan for reshipment up the Volga, began from the port of Petrovsk on the Caspian Sea at the end of April,† and from Baku at the beginning of May. During the

\* *Ekonomicheskaya Zhisn*, July 1, 1920.

† The data concerning the shipments of petroleum and its products is taken from a report on the petroleum situation, published in a special edition of *Ekonomicheskaya Zhisn*, June 24, 1920.

month of May, over fourteen million pouds of petroleum and its products were shipped by sea from Baku to Astrakhan, the amount actually brought to the latter port by May 29 being 7,779,500 pouds. But even the arriving shipments could not be unloaded, for the facilities for reshipment in Astrakhan were found to be in such condition that not more than about 300,000 pouds could be unloaded a day. In order to make possible the reshipment of the Baku oil, the shipments from Petrovsk were ordered temporarily stopped altogether. As for reshipments from Astrakhan, during the last three weeks in May, the amount of petroleum and its products actually shipped was 5,645,000 pouds.

Attempts were made during the month of May to organize shipments of petroleum from the Grozny district by rail, but these attempts failed because of the condition of railroad transportation. Moreover, the needs of the districts adjacent to Grozny are so great that most of the oil yielded by the fields there is diverted to local use.

The production of oil in the Baku district is shown on page 127 in Table No. 8, taken from an official report of the Chief Committee on Petroleum.\*

The decline of production after April is most significant, because it was during the spring of 1920 that the Baku oil wells came into the possession of the Soviet Government.

*Wood.* The question of wood is more or less a local one: wood is gathered and prepared for fuel use practically wherever found. Each enterprise makes

\* *Ekonomicheskaya Zhisn*, October 16, 1920.

TABLE No. 8  
*Baku Oil Output*

	In millions of pouds
January, 1920 .....	18.2
February .....	17.5
March .....	19.3
April .....	17.9
May .....	16.5
June .....	15.1
July .....	13.3
August .....	12.2
September .....	10.9

attempts as far as possible to satisfy its own needs in wood fuel, using special labor detachments for this purpose. In the sections of the country abounding in forests, special work is done on the gathering and preparation of wood for fuel. Most of the work of the labor armies organized at the beginning of 1920 was devoted to the task of gathering wood. Much of the work of transportation is devoted to the carting of wood, which, of course, is a rather thankless task, since wood occupies much cargo space and has, in comparison with other forms of fuel, very little calorific value.

However, the question of wood, from the point of view of the fuel situation, is a very important one. Even in 1916, with the production of both the coal fields and the oil fields almost normal, wood constituted over 40 per cent. of the total amount of fuel used. In 1919, it was practically the only kind of fuel available. In the smaller fuel estimate for 1920, it constitutes 90 per cent. of the total, and in the larger estimate, 65 per cent.

The total amount of wood expected to be gathered for

use during 1920 was considerably larger than the amount actually obtained in 1919. But, while no general figures for the situation in 1920 are available, such an increase seems entirely possible, owing to an increase in the total territory under the control of the Soviet Government.

*Peat.* As has already been stated, peat, while found in large quantities in Russia, never constituted an important item from the point of view of fuel. Its extraction and conversion into forms suitable for industrial and heating purposes is found in many localities

In 1919 there were thirty-two fairly well organized districts of peat exploitation.\* The number of peat-pressing machines in these various districts was 882. They were operated by 946 "artels," † and the total output for the year in these districts was 67,039,000 pouds.

The number of machines available for 1920 in all these districts is 1,266, of which only 887 were in actual operation during the month of May, when the work began for the season of 1920. The number of "artels" working was 1,018, although it was expected that 1,308 would be working. The output of peat up to June 1 was 8,715,000 pouds. The total amount expected for the season is 97,570,000 pouds.‡

\* *Ekonomicheskaya Zhisn*, June 24, 1920.

† An "artel" is any company of workmen, performing together ■ certain piece of work, being paid as ■ company and dividing the wages among themselves. In peat-production, an "artel" usually consists of sixty people, men and women, of whom thirty are peat extractors, twenty are driers, and ten are technical personnel.

‡ These figures are also taken from *Ekonomicheskaya Zhisn*, June 24, 1920. The number of machines in operation is taken for nineteen of the thirty-two districts, no information being available about the other

The importance of peat is almost entirely local. In most cases it is converted into fuel by the factories requiring it themselves. Very little peat fuel is moved to other localities than those of production, so that it does not play an important part in the fuel economy of the whole country.

*Fuel Shortage.* Judging by the reports on the output of the various kinds of fuel during the first half of 1920, which we summarized in this section, this output is scarcely sufficient to satisfy even the "starvation minimum" of fuel requirements. The consequence of this is, of course, two-fold: the continuation of suffering on the part of the city population because of lack of fuel, and difficulties in transportation and industry. In the latter case the two aspects of the situation, transportation and industry, are, naturally, interdependent.

Transportation suffers both because insufficient fuel is provided for the running of the locomotives and the power boats which are still in working order, and because through the lack of fuel the foundries and repair shops charged with the work of the rehabilitation of the rolling stock, cannot work at full speed, partly for the reason that not enough fuel is transported to them. Industry suffers directly through shortage of fuel.

If we take the most important industries during the period under consideration, we shall find fuel shortage districts. The districts taken, however, constitute the most important part of the industry, as they contain over ninety per cent of the total number of machines available for the year. Therefore, the condition of these nineteen districts may be considered as representing the whole situation.



a common complaint with all of them. In the metallurgical industry, the Kolomna locomotive and machine works and the Mytishchinsk car works were not running at all during the month of March because of lack of fuel. The production of the Kulebasky and the Vyksunsky iron works was reduced almost to nothing for the same reason. The production of the Kolchugin copper works (the largest in Russia) was reduced very greatly in February because of lack of fuel, but improved somewhat in March, because special efforts were made to supply it. Only those works which are supplied with wood gathered in more or less immediate vicinity experience fewer difficulties in the question of fuel.\*

Since the metallurgical industry is by far the most important branch of industry, particularly at the present time when upon its work depends the rehabilitation of the transportation system, it is quite natural that, if even it experiences a shortage of fuel which at times reaches catastrophic acuteness, other branches of industry fare still worse in this regard.

#### *4. The Raw Materials*

While theoretically, Russia is able to supply herself from her own treasure house of natural wealth with practically every kind of materials needed for economic life (with very few tropical exceptions), in reality she has not been able to rely on her own resources even when materials of which she has an abundance were concerned. It is true that a considerable part of her

■ *Ekonomicheskaya Zhizn*, June 24, 1920.

normal export trade consisted of raw materials and half-finished goods; in 1913 this group of her export trade constituted thirty-seven per cent. of the total. But it is also true that much of her import trade also comprised raw materials, with which she could have supplied herself did she have the necessary degree of economic development.

Since this is so, then it is quite obvious that the war which caused an interruption and a considerable shifting in the import trade of Russia, particularly as far as the categories of imported articles were concerned, and especially the civil war, in the course of which Soviet Russia was blockaded, have played havoc with the situation there as regards the supplies of raw materials. And this situation still continues to be one of a serious nature.

It must be remembered, too, that there are other factors in this situation, besides the fortunes of foreign trade. After all, with all her extensive imports of raw materials, Russia supplied the greater part of them herself. So that the shortage, as we shall see below, is due also, and very prominently, to internal causes.

With one or two exceptions, there is a shortage of raw materials in practically every industry in Soviet Russia to-day. Without going into detail, which would scarcely present any value in view of the obvious nature of the whole situation, we shall give a general statement of the condition of some of the principal branches of industry with regard to their supplies of raw materials, using this information as merely illustrative of the whole economic situation of the country.

*Metals.* Russia's import of metals consisted mostly of machinery. Comparatively small amounts of unworked metals were brought into the country. This is particularly true of iron; for Russia's own iron resources are tremendous. However, as far as Soviet Russia is concerned, these resources were not available, except at very short intervals, in the course of the latter part of 1918 and all through 1919, i. e., during the civil war. Iron ore is mined and some of the chief metallurgical works are found principally in South Russia (the territory lying to the south of Ukraina) and in the Urals. And both of these sections of the country were the scene of almost continuous warfare all through the civil war, changing hands on several occasions. And most of the time, they were not in the hands of the Soviet Government.

As a result of this, we find the following picture for the condition of affairs as far as the supplies of iron and its products in Central Russia are concerned, during 1919.\* The total amount of metal asked for during that year (mostly iron, with small amounts of other metals) by the various shops and foundries, was 120,000,000 pounds. The amount of iron ordered to be delivered in response to these requests was 28,923,000 pounds during the first half of the year, and 8,725,000 pounds during the second half, or a little over 37,000,000 pounds, i. e., 30 per cent. of the amount requested. But the actual deliveries were, during the first half of the year, 40 per cent. of the amount requested, and during the second half of the year, 70 per cent. Thus, the actual deliveries of metal during

\* *Ekonomicheskaya Zhizn*, February 18, 1920.

the year constituted about 17,600,000 pouds, or less than fifteen per cent. of the total amount asked for.

The situation with regard to other metals is, for the time being, quite satisfactory. Most of the copper normally used in Russia is of home extraction. Zinc and lead were imported to some extent, the rest being also mined at home. Aluminum and nickel were entirely of foreign origin. But of all these metals there are still rather large supplies in Soviet Russia, because during the last years of the world war, the Allies had shipped into Russia large amounts of these metals, which were needed for the war industries.\* For this reason, the "colored" metal industry is not in a critical condition as far as the supplies of raw materials are concerned. If in spite of this, most of the factories working these metals are either at a standstill or else produce very little, that is due to other causes.

*Textiles.* All of the branches of the textile industry, with the exception of flax spinning, experience an acute shortage of raw materials.

The cotton used in Russia is partly produced in Russia and partly imported. The importation practically ceased during the war, and only the cotton grown in Turkestan was left. During the revolution, the general disorganization affected cotton growing as well. Much of the area formerly sown to cotton was sown to grain and other foodstuffs. The cotton area contracted to only one-tenth of its size in 1916. The most acute stage was reached in 1918, when in all the cotton-growing regions of Russia, i. e., in Turkestan, Bukhara and

■ *Ekonomicheskaya Zhisn*, June 24, 1920.

Khiva, only about 100,000 desiatinas were sown to cotton, as against the normal area of over 1,000,000 desiatinas. In 1919 there was a slight improvement with an increase of 19,000 desiatinas.

But, in spite of this improvement in the cotton-sowing situation, the shortage at the cotton mills shows no signs of improvement; on the contrary, it is growing still worse, because of a very inefficient system of the purchase and distribution of raw cotton by the "Glavtextil," i. e., the division of the Supreme Council of National Economy, charged with the administration of the textile industry. During the cotton season of 1918-1919, the amount of raw cotton, purchased in Turkestan, was 5,529,996 pouds, while the amount purchased during the season of 1919-1920 (September 1 to March 1) was only 2,061,178 pouds. The question of transportation, naturally, plays an important part in the distribution of cotton, the distance between Central Asia, where it is grown, and Central Russia, where the textile mills are located, being very great.\*

The amount of wool needed in 1920 is estimated as follows: 509,739 pouds of natural wool, 393,420 pouds of artificial wool, and 219,075 pouds of waste. The stocks on hand on January 1, 1920, were sufficient to fill the requirements of natural wool for nine months, of artificial wool for three and one-half months, and of waste for ten months. The amount expected to be gathered during the year was 486,582 pouds, special premiums being offered for wool gathering, and other

\* The figures for the various phases of the textile industry are taken from numerous reports on the state of the industry in the *Ekonomicheskaya Zhisn*, particularly from ■ summarized report in the special edition of June 24, 1920.

measures being taken to stimulate it. Under normal conditions, Russia imported nearly one-half million pouds of wool.

Flax was normally grown in sufficiently large quantities to supply not only Russia's own needs, but to constitute also an important item of export to Great Britain, France, and Belgium. At the present time, however, the flax output has decreased very considerably and continues to decrease. President of the Supreme Council of National Economy Rykov reported to the Eighth Congress of Soviets that while in 1919 the area sown to flax was 530,000 desiatinas with a crop of 5,437,000 pouds, in 1920 the area decreased to less than 300,000 desiatinas, while the crop was not more than 2,000,000 pouds. This means that, in spite of the diminished requirements within the country, due to decrease of industrial production, Russia now scarcely produces enough flax to satisfy her own pressing needs. She still has some stocks left over from preceding years, and has to choose between exporting them and using them to make up the amount she needs for her own industries in excess of the current crops.

The silk situation is very serious. Normally, Russia imported fully 85 per cent of the silk that she used, although with a proper degree of development, she can easily supply her own requirements. The last importation of silk was in 1917, and since then the silk industry has been living almost exclusively on the remaining stocks. But these supplies are rapidly being exhausted, so that to-day practically no pure silk tissue is being spun, the remaining quantities of silk being mixed with cotton and with other fibrous materials. It is hoped that



this condition of affairs may be alleviated by the stimulation of the silk industry in the Caucasus and in Turkestan, where conditions are favorable for it.

*Other Industries.* With the other industries, the situation is practically the same as with the two principal ones that we have discussed.

The amount of rubber on hand at the beginning of the year 1920 was 140,000 pounds. Although of the seven rubber-goods factories that are found on the territory of Soviet Russia, four are in operation, their production is so small, owing very largely to fuel difficulties, that this amount of rubber, at the present rate of work, is sufficient to last for three years. Under normal conditions of work, with all seven of the factories in operation, this amount would have been sufficient to last for but two months.\* The supply of rubber, of course, is entirely a matter of import.

The situation in the chemical industries is similar, for they, too, depend almost exclusively upon importation for the raw materials which they use.

The leather industry suffers very considerably because of lack of both raw hides and tanning extracts. Normally Russia exported nearly 43,000 tons of hides, but at the same time she imported (mostly from Mongolia) an even larger amount of raw hides, besides bringing in (in 1914) 8,000 tons of leather goods. The killing off of the live stock during the war and the Revolution has considerably affected the leather industry, and to-day, in spite of restricted leather production, there is an acute shortage of raw hides.

The industries working over foodstuffs (tea-packing,

\* *Ekonomicheskaya Zhizn*, June 24, 1920.

coffee, tobacco), depending almost exclusively upon importation for their raw materials, are naturally in a critical position, so far as this phase of their work is concerned. The sugar-refining industry draws upon the sugar-beet of Ukraina for its supply of raw materials, but it is also in a critical position because the civil war, of which Ukraina is always one of the principal scenes, has played havoc with every phase of economic life there.

## CHAPTER III

### LABOR

ACCORDING to the economic theory of Communism, as we have already had occasion to see, labor plays the most important part in the determination of the productive forces of a country. And there is no doubt that labor is by far the most outstanding element in the economic situation in Russia under the Soviet régime. We shall consider the question of labor in this chapter as the first and the most fundamental of the *human* elements in the situation which the Soviet economic régime has to face.

The labor question in Soviet Russia is characterized by four important features: first, the shortage of labor; second, the loss of labor discipline; third, the falling-off of productivity and the consequent contraction of production; and fourth, the measures taken or contemplated by the Soviet Government for the overcoming of these three difficulties.

#### *1. Labor Shortage*

In his report on the militarization of labor, presented to the Ninth Congress of the Russian Communist Party, Trotsky stated that at the beginning of 1920 there were in all the important branches of industry in

Soviet Russia not much over one million workmen on the list of the employees. The actual number at work, however, was only about eight hundred thousand. The rest were gone.\* If we recall that only two years before this, in January, 1918, when the First All-Russian Congress of Trade and Professional Unions had its sessions, the number of men in nineteen principal industries represented at the Congress was 2,532,000, we can understand more clearly the significance of Trotsky's figures from the point of view of labor shortage. And it must be remembered, too, that Trotsky's figures refer to *all* the men employed, while the figure for the representation at the Congress of the Unions covers only organized labor, the total number being obviously much greater.

At the first meeting of the Committee on Universal Compulsory Labor, held under the presidency of Dzerzhinsky in February, 1920, the labor requirements for the enterprises controlled by the Commissariats of Agriculture and Ways of Communication and by the Supreme Council of National Economy for the year of 1920 were authoritatively estimated at 230,000 skilled laborers and over two million of unskilled labor, in addition to the number already employed.† The total shortage for the year, covering the rest of the economic life of the country, was, of course, much larger.

From September 4, 1919, to February 1, 1920, thirty-eight factories and foundries, working for national defense, made a demand for 39,145 workmen,

\* Moscow *Izvestiya*, March 21, 1920.

† *Ekonomicheskaya Zhizn*, February 26, 1920.

mostly skilled labor. They were supplied with 10,158 workmen, or 27 per cent. of the number requested. Of these men, 2,200 had to be recalled from the army and most of the rest brought over from other branches of industry.\*

An investigation, conducted in Moscow in the spring of 1920, covering a large number of important enterprises, showed a shortage of nearly 50 per cent. of the number already employed in some of the important branches of industry. In metal works, the requirement was 49.7 per cent.; in wood work, 42.1 per cent.; in chemical works, 21.6 per cent.; in electrotechnic work, 89.6 per cent.; in municipal transportation, 42.7 per cent.† This means that, taking into consideration the amounts of fuel and raw materials available, work could be found for fifty per cent. more men than already employed, and production increased proportionately. Petrograd, which was formerly the largest industrial center in Russia, had, at the time of the last municipal elections, held in July, 1920, 253,340 workers, "men and women, employed in the factories, foundries, restaurants, hospitals, etc."‡

In the Bogoslovsk mining district in the Urals, the number of workmen before the war was 38,000. The number of workmen in 1920 was 11,000, of whom a large percentage were children.§

The seven largest metallurgical foundries, constituting the "shock" group of the industry and working exclusively for railroad repair, asked during the sec-

\* *Ekonomicheskaya Zhisn*, February 20, 1920.

† *Ibid.*, May 18, 1920.

‡ G. Zinoviev, in *Moscow Pravda*, July 6, 1920.

§ *Moscow Izvestiya*, January 26, 1921.

ond half of 1920 for 14,571 men. They received 13,383 men, of whom, however, 8,442 were withdrawn or simply disappeared. Thus, the total increase of their working force was 4,941, instead of the 14,571 that they asked for.\*

The progressive diminution of the number of workmen is illustrated by the following figures, showing the membership of the Serpukhovo Division of the All-Russian Union of Textile Workers: in January, 1919, the number of men, women, and children registered at the Division as working in the industry was 25,456. In July, 1919, the number was already 13,682. In December, 1919, the number was 12,345.† The textile industry at the present time complains perhaps more than any other about labor shortage.

These instances of labor shortage could be multiplied to infinity. They would show the same condition. The facts we have brought together here present a sufficiently clear picture of labor shortage in Russia. What is important is to examine the causes of this disappearance of the Russian proletariat, in whose name the experiment in the economics of Communism is being carried on.

Trotsky, in the report of which we spoke above, states that the workmen who have disappeared have gone to the villages or into "spekulyatsia," i. e., have either gone back to agricultural pursuits whence most of them came originally, or else have gone into that most lucrative of all present-day occupations, clandestine profiteering trade. Trotsky, however, does not state

\* Moscow *Izvestiya*, January 29, 1921.

† *Ekonomicheskaya Zhizn*, April 20, 1920.



the reasons for this flight of workmen from industrial centers. We can find these reasons in a statement which comes from just as authoritative a source, viz., the last Conference of Provincial Committees of the Department for the Registration and Distribution of Labor. In the theses, adopted by the Conference, on the methods of "extracting" workmen from the villages, it is stated that the agrarian reform, the mobilization for the army, and the food crisis were the causes which drove the industrial proletariat away from the factories and the industrial centers. The greatest stress is laid on the food crisis, which accounts for the fact that most of the former industrial proletariat has fled to the rural districts.\*

It is a matter of common knowledge, never denied by the Soviet leaders themselves and more often even played up by them for purposes of propaganda, that the food crisis in the Russian cities is and has been very acute all along. Its causes are many and varied, and some of these causes will be discussed in their proper place in this study. The question that is of special interest to us in this connection is in what particular way the food crisis affects the labor situation from the point of view of the flight of workmen from the industrial centers.

The system of wages in Soviet Russia for men employed by the Government in the nationalized enterprises is two-fold: part of the remuneration of labor is given in the form of food cards, which entitle the holder to obtain certain amounts of food at the "fixed" prices, i. e., at a price which is very low in comparison with

\* *Ekonomicheskaya Zhisn*, January 11, 1920.

the current "speculative" price; the rest of the remuneration is in currency. The food ration, supplied by the Government in exchange for the card, is not nearly sufficient, particularly in the larger centers, to cover the food requirements of a workman. The rest of his sustenance he must purchase wherever he can, and the only available source of supply is the "spekulyatsia" market, where prices are fixed by the seller in accordance with the danger he had to undergo in bringing his wares to the market and more often in accordance with his own desire.

Under these circumstances, the question of the relation between the wages of labor and the "speculative" prices for foodstuffs becomes one of tremendous importance. In fact, it is this relation that really constitutes the determining factor in the condition of the labor market and labor supply of the principal cities and industrial centers.

Let us consider the situation in this regard on the basis of the figures available.\*

## 2. *Wages and Prices*

The increase of prices of the necessities of life began soon after the Revolution and continued at an ever-quickenning pace under the Soviet régime. S. Strumilin calculates that during the second half of 1917, the market prices of foodstuffs went up to seven times their former amount, while the wages only doubled. After

\* These figures are taken principally from several studies of the question, made by S. Strumilin, a noted Soviet economist. See Petrograd *Izvestiya*, December 25, 1919, *Ekonomicheskaya Zhizn*, January 15, 1920, etc.

January 1, 1918, the growth of market prices began to slow down somewhat, and four attempts were made to readjust the wages of labor. From May, 1918, to September, 1919, the wages generally increased seven times, while the market prices of foodstuffs went up fourteen times.

Now, what part of his daily diet does a workman have to purchase out of his wages? Rather detailed figures on this question are available for the period August-November, 1919.

Normal food consumption for a workman doing ordinary work is calculated to be about 100,000 calories a month. The amount taken to be absolutely essential, i. e., the minimum, even for the present time, is 80,000 calories. The number of calories furnished by the Government during the four-month period under consideration is shown in the following table:

TABLE No. 1

*Card Rations, August-November, 1919*

Region	Number of		Average per mo. (in thous. calories)
	Gov'ts	Cities Villages	
Northern .....	7	24 47	13.9
Central Industrial .....	8	48 89	14.6
"    Agricultural ...	7	34 58	16.6
Western .....	3	14 27	19.0
Volga Basin .....	5	22 46	23.7
Urals .....	5	22 40	25.6
Western Siberia .....	2	2 3	46.7
Total .....	37	166 310	

This table shows two important things. In the first place, the Government was able to provide on the average only 18,400 calories per workman per month, when the normal requirement is 100,000 and the essential minimum no less than 80,000. In the second place, the Government obviously followed the line of least resistance from the point of view of difficulties encountered in the matter of food supply. The monthly ration varied from 13,900 calories a month in the Northern region to 46,700 in Western Siberia. If these seven regions are classified according to their degree of providing food locally, we shall find that the following conditions obtain:

TABLE No. 2

*Average Monthly Ration*  
(in thous. calories)

Least provided region	.....	14.3
Medium " "	.....	17.7
Well " "	.....	25.3

In other words, even in those sections of the country, in which agricultural production is sufficiently large to provide the needs of the local population, the Government, in spite of the continued existence of the state grain monopoly, is able to provide only a quarter, at best, of the food requirements in the larger centers of population.

When we come to consider the total amount of food that a workman can obtain, there are three factors that we have to take into account, viz., the ration supplied by means of the card system; the rate of wages received;

and the prices of food products on the "open," or "spekulyatsia" market. Taking these three factors into account, S. Strumilin gets the following table for the average amount of food that a workman can get daily in various cities:

TABLE No. 3

*Average Number of Calories that Can Be Obtained Daily by a Workman on the Basis of Government Allowance, Rate of Wages, and Prices on the "Open" Market*

	No. of calories	% of the normal
Petrograd .....	1,768	53
Moscow .....	2,602	78
Tambov .....	3,075	92
Smolensk .....	3,104	93
Kazan .....	3,328	100
Penza .....	3,487	105
Simbirsk .....	4,227	127
Village, Gov't Simbirsk.....	4,288	129
"    "    Tambov, etc. . .	4,520	135

Thus a workman in Petrograd, after using up the whole Government allowance of food and spending *all* his wages on food alone, can still get only about half of the amount of food he normally needs; while a workman in Simbirsk, similarly situated, can get 27 per cent. more than his normal requirement. The reason for the discrepancy obviously lies in both wages and prices.

One thousand calories of food cost in Petrograd 15 roubles and 80 copecks; in a village in Simbirsk, they cost only 60 copecks. There is a difference here of 2,540 per cent. At the same time, the wages in Petro-

grad are only two and one-half times higher than they are in Simbirsk.

For purposes of wage distribution the whole of Soviet Russia is divided into territories, or "belts" (although that term has no geographical significance) of equal wages. The wages are not the same throughout the country. For example, if the wages set for Moscow in September, 1919, are taken as 100, then the wages set for Petrograd during the same period would be 150, while those for Simbirsk, 60.

Readjustments of wages through a redistribution of wage "belts" is made officially once a year, though up to now they have taken place oftener. On the other hand, "free" prices on the "open" market fluctuate constantly and at will. For example, the prices in Moscow on November 1, 1919, were 32 per cent. higher than in the provinces, while by the end of December, they were already 82 per cent. higher. Taking Moscow's "free" prices as 100, we find that the average for the rest of the country in October, 1919, was 49; in November, 37; and in December, 27. In some parts of the country the average prices were as low as 11.

In view of these constant fluctuations and discrepancies, the following comparison, although perfectly fantastic on the face of it, is, nevertheless, more than possible: In 1914, a daily food ration in Moscow, consisting of 2,700 calories, cost fourteen copecks. On January 1, 1920, taking the prices prevailing at the Sukharyovka (the largest of the "spekulyatsia" markets), the same amount of food cost 798 roubles and 50 copecks. At the same time, in Western Siberia,



where wages are half of what they are in Moscow, the same amount of food cost 95 roubles and 70 copecks.

Under these circumstances, it is easy enough to see why a workman in Petrograd, who for all his wages can scarcely half feed himself (and then, if he succeeds in obtaining food at the "open" market) flees to a village somewhere in the Government of Simbirsk or Tambov, where he can, for his wages, not only provide for himself a normal amount of food, but even have a considerable part of his wages left over. Moreover, there are opportunities in the villages for work along agricultural lines, with occasionally enticing possibilities under the agrarian scheme.

It is easy enough to account for shortage of labor on this score alone. And it is clear that the effect of food conditions on the labor situation is very direct and very disastrous. Not only does it cause labor shortage, but it impairs labor discipline among those who still remain at work.

### *3. Labor Discipline*

The laxity of labor discipline as an almost universal phenomenon in Soviet Russia is also commonly admitted by the Soviet Government. Its extent is very great, and the forms it assumes are the same as those found in all other countries, except that in Russia under the Soviet régime these forms have assumed an unprecedented character of development. There are three main forms, viz., lateness in coming to work; absences from work; and strikes.

No figures are available to show statistically the

extent of lateness, as there are figures available to show very strikingly the laxity of labor discipline in the matter of absences. But it appears that even in the attending of meetings and conferences, the representatives of labor are never on time. One of the recent decrees of the Soviet Government in the cycle of the measures taken for overcoming this laxity in labor discipline is devoted to the question of lateness. The penalties provided in this decree, as we shall see below, indicate plainly the seriousness of the problem.

Some time ago, an article appeared in an official Moscow newspaper,\* which was entitled, "How Much Do We Work?" The article had a subtitle, which read, "Bitter Figures!" This article was devoted to the work of the principal railway shops of all the railways in Soviet Russia from the point of view of the actual number of hours of work done in them. The following table gives these "bitter" figures:

TABLE No. 4

*Work of the Principal R.R. Shops*

Year	Nominal Days per year	Number of Hours per day	Working Hours per year	Actual No. Hours per year	Per cent.
1914	.....284	10	2,840	2,369	83.5
1918	.....300	8	2,400	1,750	73.0
1919	.....300	8	2,400	1,370	57.0

The nominal number of working days in 1918 and 1919 increased in comparison with 1914 because the number of holidays (which were very numerous under

April 30, 1920.

the Imperial régime) was very much reduced after the Revolution. The official working day was set at eight hours, instead of ten as before. And the actual number of working hours, cut to 57 per cent. in 1919 as compared with 1914, is calculated after the deduction of the time wasted for lateness and absence.

Taking the working day as officially eight hours, the number of full days that an average workman in the railway shops gave for his pay was, in 1919, one hundred and seventy-one, or less than half of the total number of days in the year.

What was the situation in 1920? It must be remembered that we are dealing here with an industry which is absolutely essential to the life of the country, upon which depends the work of the whole economic apparatus of Soviet Russia. Moreover, we must not forget that, as we had noted in speaking of the question of transportation generally, starting with December, 1919, and January, 1920, special efforts were made to turn the whole attention of the country to the problem of transportation, particularly that phase of it which is concerned with railroad repair. How did the railroad workmen react to these attempts from the point of view of labor discipline?

Statistics showing the extent of absence from work are available for the month of March, 1920, for several important sections of the railroad system. They show a situation that is by no means uniform, and as a whole, by no means favorable.\*

The normal percentage of absences from work before

\* These figures are taken from an article by F. Senushkin, published in Moscow *Pravda*, June 4, 1920.

the revolution, including cases of illness, was, on the average, about fifteen. In some enterprises it never exceeded ten. The figures for March, 1920, show that in some of the enterprises on the Soviet railways, approximately the same percentage of absences has been maintained. But these are comparatively few in number. In others, the percentage of absences has reached new, unprecedented and almost incredible figures. For example, at the Vitebsk depot of the Riga-Oryol Railroad, the number of absentees for the month constituted 73.6 per cent. of the total number of workmen; in the Savelovsk shops of the Northern Railroad, the percentage of absences was 81.8. In other words, at the Vitebsk depot only about twenty-six men out of every hundred employed were at work regularly during the month, while at the Savelovsk shops, only eighteen out of every hundred appeared at the shops.\*

\* The Petrograd *Krasnaya Gazeta* of September 10, 1920, reports the following results of a casual inspection made at several factories in Petrograd:

"At the Nobel factory the list of workmen indicated 457 workmen and 116 employees. The inspectors found that 107 workmen and 14 employees were absent on leave; 37 workmen and 17 employees were ill; 19 workmen and 1 employee were absent on special missions. Thirty-one workmen and 1 employee were absent for no reason. Thus, according to the records at the office of the factory, only 263 workmen and 83 employees, i.e., less than half of the list were present.

"But the inspectors did not stop there. It is not enough that a workman is indicated as having reported for work; it is necessary to see whether or not he is actually at his place. The following was the situation at the shops: In the mechanical shop, in which 43 were reported as present, only 24 were actually at work. In the forge room, only five out of 14 were at work. In the moulding room, there were 16, instead of 69. . . . The repair shop beat the record: instead of the 41 workmen indicated as having reported in the morning, two men were wandering about the shop in a weary fashion. The transmission belts were running, but no work was being done, because there were no gears in the lathes. It was only in the assembling room that all the five workmen who had reported in the morning were actually at work.

"At the Old Lessier mill it was impossible to make an inspection of

Most of the absences were alleged to be due to illness. Normally, about half of the total number of absences was due to cases of illness. Now, from two-thirds to nine-tenths of the total number of absences are explained by the absentees as cases of illness. Judging, however, by the severity of the decree concerning absences on account of illness, the Soviet Government is more than certain that most of the cases of absence explained as illness are simply due to laxity of labor discipline and lack of desire on the part of the men to appear for work.

The Sormovo foundry, which is the largest metallurgical works in Russia, had, in 1917, 20,346 workmen. This number was reduced to nine and one-half thousand by the beginning of 1920, and rapidly continued to decrease still farther, for the workmen fled from the foundry whenever they could and wherever they could. The average percentage of absences during 1919 was thirty, as against the normal percentage of ten. On October 1, however, the management increased the food ration and began to apply disciplinary punishments. As a result of this, the percentage of absences decreased from thirty-two in August to twenty in December.\*

Similar conditions of labor discipline exist all through the whole industrial life. The enterprises working for transportation and the metallurgical works,

the factory, because the workmen were in a meeting during work hours to discuss the question of overtime pay.

"The same discouraging picture was found at other factories. At the Petrograd Car Foundry, the machinery was turning for four workmen. Labor discipline has fallen off everywhere, and as a result, the productivity of labor has decreased to an extraordinarily low level."

■ *Ekonomicheskaya Zhizn*, March 7, 1920.

being essential industries, receive special attention and better conditions of labor discipline are expected of them. The other industries show still greater laxity.

The third form of laxity in labor discipline, the strike, is not discussed very extensively in the Soviet press. Strikes are forbidden on the theory that since all workmen are the employees of the state and since the state is the expression of the dictatorship of the proletariat, in striking the workmen really strike against themselves and merely impair their own interests. Strikes, however, do occur, and those who take part in them are punished with a greater or lesser degree of severity.

On January 2, 1920, for example, a typical strike took place at the shops of the Kursk Railroad.\* During working hours, most of those among the employees of the shops who were not Communists (and they were the majority) were asked to come to a mass meeting, held at the workshop of the painting division. When most of them came together, a representative of the Railroad Workers' Professional Union, who also came to the meeting, asked them to state their demands and their reasons for leaving work without permission. In reply, the workmen demanded the rescinding of a recent order for the confiscation of matches and other products brought to the shops by some organization. When the representative of the Union said to them that such a demand should have been forwarded to the proper authorities, no attention at all was paid to his words. Then he again pointed out to the men that

\* This description of the strike is taken from Petrograd *Izvestiya*, January 5, 1920.



they were violating labor discipline by leaving work without permission, and that this may cause repressive measures to be taken against them. In reply to this, the Union official was hooted down, and the whole meeting broke into an uproar, above which words like "Shame," "Out," could be heard.

The upshot of the whole matter was that the striking workmen found themselves locked out. The Executive Bureau of the Central Committee of the Railroad Workers' Professional Union sanctioned the decision of the management to shut down the shops and to organize a commission, "consisting of representatives of the Regional Committee of the Union in the Wage Commission of the People's Commissariat of Ways of Communication, which should be charged with the duty of finding other workmen, who would obey the discipline of the Union and understand better their duty toward the Union, as well as be more loyal to the Soviet authority."

In making this decision, it was explained that the labor discipline among the workmen of the Kursk shops had become very lax. Although amply supplied with food, scarcely 600 of the total of 1,600 worked regularly, while the productivity of those at work had fallen off to a minimum.

Nor was this all. A number of the strikers were tried and sentenced to imprisonment for various terms. Later on, forty-four of those imprisoned petitioned the Government for release, promising in their petition to try "to raise the productivity of labor, cease from practicing sabotage and from carrying on agitation

against the Soviet Government." Those who signed this petition were released.\*

This incident sheds an interesting light on the rôle which trade unions play in Soviet Russia as labor organizations. According to M. Tomsy, the President of the Central Executive Committee of the All-Russian Association of Trade Unions, the trade or professional unions are formally non-party organizations of workmen, whose object is to unite all workmen irrespective of their political sympathies and affiliations. But at the same time, they admit into their ranks only those workmen who "believe in the introduction of Communism through the dictatorship of the proletariat and follow in all their actions the hegemon of the proletarian revolution, the Russian Communist Party." †

The trade or professional unions are thus under a complete control of the Communist Party, which is to be expected under the unified economic plan. But they are also unofficially quasi-governmental institutions, charged with the task not only of inculcating in the workmen a Communistic psychology, but also with certain definite duties of semi-administrative character. And in this respect, they are expected particularly to assist in the establishment of labor discipline, increasing the intensity and the productivity of labor, and otherwise facilitating a "rational utilization of the technical equipment and manpower." As we saw in the case of the strike on the Kursk railway, the per-

\* This incident was reported in the Petrograd *Krasnaya Gazeta*, April 18, 1920, under the title, "They Have Repented."

† Theses presented to the Third All-Russian Congress of Trade or Professional Unions, published, substantially as adopted by the Congress, in *Ekonomicheskaya Zhizn*, March 10, 1920.

formance of these duties on the part of the trade or professional unions sometimes calls for repressive measures, that do not fall short even of locking out the striking workmen and sanctioning their imprisonment.

#### *4. Production and the Productivity of Labor*

The shortage of labor and the progressive flight of workmen from the industrial centers have a direct effect on production, i. e., on the size of the actual output of those enterprises, which can still be supplied with the other elements of productive activity. The loss of labor discipline results in decreased productivity of labor, which also, naturally, affects the total output in the sense of decreasing it. The two factors together produce an admittedly disastrous decrease of production, rendering practically inoperative what still remains of the technical equipment and useless what is available of fuel and raw materials.

In transportation, cars and boats at times wait for days and even weeks before being loaded or unloaded, because no workmen can be found to do the work. Those that are set to work fall far short of normal speed of work.\*

In the work of railroad repair, both shortage and productivity of labor are important factors. All of the important car and locomotive works in Soviet Russia are united in a group, which is known under the name of "Gomza" (The State Association of Metallurgical Works). This powerful trust includes the

\* *Ekonomicheskaya Zhisn*, July 25, 1920.

Sormovo, Kolomna, Kolubaki, Phoenix, Mytishchinsky, Kharkov, Lugansk, Izhev, Briansk, and a number of other foundries. If we consider their combined output for 1916 as 100, we shall find that the output for 1917 was 70.8; for 1918, 27; for 1919, 30.7.\* In characterizing the work of the "Gomza" group during 1919, the Moscow *Pravda* † says:

The work of these foundries could not run normally during the past year, but it could and should have given better results than actually achieved.

During the first half of the year, the "Gomza" group was turning out an average of  $5\frac{1}{2}$  new locomotives a month; during the second half of the year, the average was only  $2\frac{3}{4}$ . The production of cars and of metal parts was in the same degree of intensity. Taking these results into account, the *Pravda* continues:

These results are absolutely insignificant, if we recall the fact that each one of these foundries during the past years used to turn out hundreds of locomotives and cars. The organized proletariat has a right to demand from these foundries, which are, moreover, placed in privileged conditions, much greater intensity and productivity of labor. . . . The figures for 1919, even if we take into consideration the shortage of fuel and materials, are still utterly insignificant.

The situation at the Briansk works, which is the second largest in the whole "Gomza" group, may serve as an illustration. In 1916 the number of employed there was 16,132. By 1920, the number of workmen decreased to 7,718. The rest had simply disappeared. The number of working hours had been reduced from

\* *Ekonomicheskaya Zhizn*, February 20, 1920.

† February 15, 1920.

ten to eight. The percentage of absences increased from ten to forty. Thus, the total number of hours of work decreased four times. The present equipment of the foundry and its available supply of fuel and materials make possible the employment of at least 3,600 more workmen.\*

Turning now to another basic industry, viz., mining, we find a striking decrease in the productivity of labor, which still shows no turning point. If we take the Donetz coal basin, the total comparative output of which was given in the preceding chapter, we find that the average monthly production of coal per man was, for the first four months of 1913, 760 pouds. For the corresponding period of 1919, the monthly average was between 250 and 280 pouds per man, reaching in April 130 pouds for some localities. The corresponding average for 1920 was 240 pouds, with the minimum again dropping to 130 pouds during the month of April.†

Again, as with total production, the fluctuations in the productivity of labor in the Donetz basin may be explained partly by the fact of the civil war. And again, a much better set of facts on the productivity of labor is furnished by the Moscow coal basin, which was not affected directly by the exigencies of the war. The following table shows the total output, the average number of workmen, and the productivity of labor in the Moscow coal basin.‡

\* *Ekonomicheskaya Zhisn*, March 7, 1920.

† *Ibid.*, June 24, 1920.

‡ The figures for the total output and the average number of workmen are taken from *Ekonomicheskaya Zhisn*, June 24, 1920; the productivity is computed on the basis of these two sets of figures.

TABLE No. 5

*Productivity of Labor in Moscow Coal Basin*

	First four months of		
	1916	1919	1920
Total output in thousand of pouds...	9,072	9,835	10,610
Average number of workmen.....	3,210	12,600	14,000
Production in pouds per man per month (rough estimate).....	706	195	189

An interesting point in the comparison of the productivity of the Donetz and the Moscow basins is the fact that the productivity of the former seems larger than that of the latter. It is possible, however, that this difference is much smaller than it appears from the figures given above. It appears that a number of workmen in both basins were employed part of the time on construction work and not on actual mining work. The number thus employed and the time spent on other work than that of mining proper is not given. But in any event, the productivity in the Moscow basin is not higher than that of the Donetz basin.

The really striking thing is that both basins show a decrease of productivity in 1920, as compared with 1919. It is true that this decrease is slight, but the very fact that there should be any decrease at all is tremendously important. In connection with this it is interesting to note that the Donetz coal basin is one of the first industrial fields in which the new system of premiums for higher productivity is being introduced.

Let us consider now some of the other industries. The factories, engaged in the working over of copper,



nickel and other "colored" metals, are amply supplied with raw materials, as we have already seen. Two of these factories, the Karzhagsky and the Siversky works, sufficiently supplied also with fuel (which is of local origin, being entirely wood, easily delivered), produced only half of the amounts that were expected of them last year. The reason for this lies in the shortage and the low productivity of labor.\*

In the textile industry, not a single one of its various branches could turn out the amounts prescribed by the Government program of production, in most cases because of lack of skilled labor. In flax weaving, for example, a branch of the textile industry which is more than amply supplied with raw material, scarcely 40 per cent. of the looms were in operation in February, 1920, because of lack of skilled labor.\*

In the rubber factories, also supplied with raw materials, the output during the first half of 1920 was five per cent. of the normal, or ten per cent. of the Government program. The reason was partly lack of liquid fuel, but mostly shortage of labor.†

And so it is in all the other branches of industry: shortage of labor, coupled with the reduction of productivity due to loss of labor discipline, reduce production to only a very small part of the normal output or even of the extent still possible under the existing conditions.‡

\* *Ekonomicheskaya Zhisn*, June 24, 1920.

† *Ibid.*

‡ The following quotation from the Petrograd *Krasnaya Gazeta*, July 4, 1920, gives a concrete instance of what this means, furnishing, incidentally, a rather striking picture of general conditions under which workmen live in a large industrial center:

"During the months of April and May the number of cars and locomo-

In its efforts to raise productivity and increase production, the Soviet Government turns its attention in two directions: in the first place, it makes attempts to get more intensive and more productive work out of the workmen who are still at their place of employment; and in the second place, it makes desperate efforts to overcome the shortage of labor by the application of measures which are truly drastic.

### 5. *Premiums and Penalties*

In discussing the elements which the Soviet economic system has taken over from the capitalistic system, Kiy, a noted Soviet publicist, mentioned two with reference to labor, viz., the system of special reward for special work, and compulsion as applied to labor.\* The Soviet Government has improved on both of these devices of

tives repaired in Petrograd decreased. In March, 25 locomotives were repaired; in April, 23; in May, only 20. With the cars it was still worse: the number of cars, turned out of the repair 'hospitals' in April was 720, and in May, only 609.

"The number of workmen engaged in these repair shops has been increasing, slowly, but noticeably: in March there were 6,191 men; in April, 6,207; in May, 6,417. The percentage of absence from work has declined everywhere; in some cases the attendance at the shop has reached 90 per cent, *e.g.*, in the Onyega shops. Thus we have more workmen, a smaller percentage of absences, and still the work of repair does not go any better. The productivity of labor has fallen still more, and the program prescribed is not being carried out. The work goes on without any spirit.

"One of the things that have influenced work is the fact that some of the workmen are busy in vegetable gardens until late at night; in the morning, they come to the shops all tired out, and the work does not proceed well. Again, some of the workmen take part at night in special work carried on by groups or 'artels' of workmen, where their wages range from one to three thousand roubles a night. And here, too, it is not difficult to understand why they come to work tired. As a result, there is a tremendous expenditure of fuel, yet the repair work is done carelessly."

■ Kiy in *Ekonomicheskaya Zhisn*, No. 6, for 1920.

the capitalistic economic system, the first in the form of premiums; the second in the form of penalties.

Several more or less elaborate systems of premiums have been worked out; in each case, of course, the question of premiums is interrelated with that of penalties. Let us take the system of premiums devised for the railroad repair shops as typical of the elaborateness of detail and the interrelation between the premiums and the penalties.\*

The normal productivity of one of the pre-war years is taken as the basis of the norm of productivity to be applied to-day. For purposes of present-day production, this norm is revised downward in accordance with the technical conditions, the general lowering of labor standards, and other factors necessarily affecting productivity at the present time. On the basis of the pre-war norm and the present conditions which inevitably affect it, a new norm of productivity is worked out and is taken as the standard.

Minimum productivity is taken as one-half this standard; maximum productivity is considered as twice the standard.

Full wages should be paid only for productivity which approximates the standard. Deductions from full wages are permissible for productivity which falls below the standard, but does not go beyond the minimum. Such deductions, however, should not, in any case, constitute more than one-third of the full wage.

Premiums allowed for increased productivity run as high as 100 per cent. of the regular wages. These

\* This description of the premium system in the railroad repair shops is taken from *Ekonomicheskaya Zhizn*, July 11, 1920.

premiums, however, are not distributed in equal increments; the rate of increase is higher at the first stage, when productivity increases from the standard to the "medium" (half way between the standard and the maximum), than at the succeeding stages.

Nor do all the workmen employed in the railroad repair shops have the same opportunity, under this system of premiums, of receiving the maximum premium. All the workmen are divided into four classes, in accordance with their relative importance to the industry. In the first class are the skilled workmen, engaged in production proper; these workmen are entitled to the 100 per cent. premium as the maximum, if they fulfill the conditions prescribed. In the second class are the skilled workmen, engaged in auxiliary production in the same industry; the maximum premium set for them is seventy-five per cent. In the third class we have all other workmen in auxiliary production; their maximum premium is fifty per cent. Finally, in the fourth class we have all other employees, such as watchmen, etc.; their maximum premium is twenty-five per cent.\*

An indispensable condition for the receipt of the maximum premium in each of these classes is attendance at work on every working day, prescribed as normal. Only when that condition is fulfilled, does the computation of premium on the basis of actual output begin.

Premiums may be given in money or in goods, such as food, cloth, etc. The system of premiums established

\* This division of labor into classes according to relative importance obviously goes counter to some of the fundamental theses of the economic theory of Communism. Cf. chapter on the Theory of Communism.

✓ for the Donetz coal basin, for example, provides that the premiums to the workmen should be given in cloth. For carting coal from the mine to the station, a premium of 0.0007 of an arshin of cloth is given for each poud-verst; in the work of loading coal into railroad cars, a premium of one-quarter of an arshin per car-load is given. These premiums are computed monthly. The estimated amount of cloth required for such premium every month is 24,000 arshins.\* The premiums offered to the administrative and technical personnel for speeding up the shipments of coal are in money.

The system of premiums has not, as yet, been codified, and is not therefore uniform for the whole of Soviet Russia. But the system of penalties for idleness resulting from absence from work has been made uniform for the whole country and is expressed in a decree of the Council of People's Commissaries, issued April 27, 1920.†

Article 1 of this decree renders a workman, guilty of absence from work without a legitimate excuse for a period of not over three days, liable to a number of punishments. In the first place, there is a deduction from his regular wages. In the second place, a deduction is made from any premiums to which he may be

✓ \* This computation is made in *Ekonomicheskaya Zhisn*, May 15, 1920, and refers to conditions existing in April. Since, according to *Ekonomicheskaya Zhisn*, June 24, 1920, the average number of men employed at the Donetz basin during the month of April was 105,300, the average premium per man amounts to less than one-quarter of an arshin, or something like six inches of cloth. Apparently the Government does not expect the Donetz miners to avail themselves to any considerable extent of the system of premiums.

† The text of this decree was published in Moscow *Izvestiya*, May 11, 1920.

entitled. And in the third place, he is compelled to make up for lost time by working on holidays or after working hours. The deductions increase with the recurrence of absences. Following is the exact wording of this decree on the penalties imposed for absence from work over and above deductions from regular wages:

For the first day of absence, fifteen per cent. of the monthly premium is deducted; for the second day, twenty-five per cent.; for the third day, sixty per cent. Moreover, the idleness resulting from these absences, must be made up for as work under labor conscription, after working hours or during holidays; on such occasions, the workman undergoing punishment may be put to any kind of work, irrespective of his specialty, and receives pay according to set scale, without any additions for premiums or overtime work.

An attempt to evade the order to make up for time lost during an absence is considered a criminal offense, and the offender is liable to arrest in a concentration camp.

Absences covering more than three days in the course of a month are also considered as criminal offenses. Workmen, guilty of such offenses, should be handed over to a disciplinary court, charged with "sabotage," and the punishments meted out to them are in accordance with the regulations governing such courts.

The managements of the various enterprises are charged with the duty of carrying out this order by keeping strict records of attendance for all the employees of their respective enterprises. Frequent investigations by the Commission for Labor Conscrip-



tion are provided for, and charges for criminal offenses may be brought against the managers of any enterprises who fail to keep accurate records concerning the work of all of the employees under them.

The control over the carrying out of the decree and its various provisions is placed in the hands of the Commission for Labor Conscription, acting for the Government, and the factory committees, acting as the local organizations of the trade or professional unions.

Very stringent regulations are provided for absences from work on account of illness. All persons, seeking to be relieved from work on account of ill health, must have a "hospital certificate" issued to them by the department of the People's Commissariat of Public Health in the locality in which they live or work. In this certificate, the physician under whose care the sick workman finds himself must note the nature of the disease, the date on which it began, the dates appointed for visits to the hospital or the dispensary, the dates on which such visits were actually made, and the date when the patient is again fit for duty. Similar certificates should be obtained by those who are kept in quarantine on account of infectious disease in the family, or who seek to be relieved from work in order to render care to a sick member of the family.

A workman, desiring to go for treatment to another locality and not the one in which he is working, may be granted permission to do so, but the destination must be mentioned in the permit issued. Only persons "in need of climatic changes or special treatment in sanatoria or dietetic institutions" may be issued such permits, and even then only in case such special treatment

cannot be provided in the locality in which the patient works or in case continued residence at the place of work may have injurious effects on the health of the patient.

When issued a permit to go elsewhere for treatment, a workman must immediately report to the management or inform the enterprise or institution in which he is employed. His absence under the original permit must not exceed two months. If an extension of time is found necessary, it may be granted by the department of the Commissariat of Public Health at the place where the patient is undergoing treatment. The time of stay in a health resort or a sanatorium must be certified by the physician in charge. When treatment for health is taken in a village, the time of stay must be certified by the local Soviet.

Violations of these regulations are punishable as offenses under the criminal code.

A similar decree for the development of labor discipline through the regulation of lateness and tardiness in attending meetings and conferences, in which workmen are represented, was issued in April, 1920.\*

Members of any conferences or committees, who come to a regular meeting late by more than five minutes, receive a reprimand from the presiding officer, which is entered in the minutes of the meeting. A second offense of the same nature is punishable by a fine equal to five days' wages and a reprimand published in the public press. At a special conference or meeting, lateness of five minutes is punishable by a fine of three days' wages and a reprimand published in

\* Reported in the Petrograd *Krasnaya Gazeta*, April 25, 1920.

the public press; lateness of ten minutes is punishable by a fine of seven days' wages and a similar reprimand. Those who are more than ten minutes late or do not appear at the special meeting or conference at all may be punished by a still larger fine, a public reprimand, and also by compulsory work on holidays. In this last case, the punishment is fixed by the presiding officer of the meeting or conference, in administrative procedure, without invoking the assistance of the courts or tribunals.

Directors and managers of institutions or enterprises who are requested to send representatives to conferences and who fail to do so without furnishing good reason for it, are liable to fine, reprimand and compulsory labor on holidays at the discretion of the presiding officer of the conference in question.

### *6. The Militarization of Labor*

The Soviet régime has been very thorough in its application of the principle of compulsion to labor. The penalties established for the purpose of increasing the productivity of labor constitute, naturally, but one phase of the problem; they are intended for dealing with those workmen who still remain at their places of employment. A more serious phase of the problem consists in overcoming labor shortage, by bringing new workmen into labor centers. To this phase of the problem the Soviet régime is applying methods that are purely military in character, and the whole new system of dealing with the question of labor has been

characterized by the Soviet leaders as that of the "militarization" of labor.

The first and fundamental element in this system is the establishment of the principle of universal compulsory labor service. This means that every person in the country, in good health and capable of performing useful work, is obliged to engage in some such work. If any such person refuses to do his or her duty, he or she may be compelled to do so by the state. The second element in the system of militarization of labor is the introduction of universal labor conscription. We are here dealing with terms that are identical with similar terms applied to military duty. In a country which has established by law the principle of universal military service, all persons subject to such service may be conscripted at the discretion of the state. Once conscripted, such persons lose their freedom of choice and freedom of motion and submit entirely to the authority of the state. In labor conscription, introduced in Russia by the Soviet régime, we have precisely the same conditions applied to labor.

In a proclamation issued by the People's Commissariat of Labor and sent out from Moscow by wireless on April 15, 1920, for the purpose of popularizing the idea of labor conscription, this term was defined as follows:

Universal labor conscription means that every workman is obliged to do the work which is assigned to him by the state.

The first preliminary condition to the carrying out of the system of labor conscription is a general census

or registration of all citizens subject to labor duty. The next condition is their classification by trades. Then an analysis must be made of the labor needs of the country, and a classification of the various enterprises from the point of view of their labor requirements. For the purpose of carrying out these conditions, a special Committee on Universal Labor Conscription was appointed, under the presidency of Dzerzhinski, who also retains his post as the President of the All-Russian Extraordinary Commission for Fighting the Counter-Revolution. The first sitting of the Committee on Labor Conscription was held at the end of February, 1920.\*

The question of universal labor service and conscription was stimulated by the problems arising out of the need for the demobilization of the Red Army, which seemed approaching at the end of 1919. The whole question in its larger ramifications, as it then presented itself to the Soviet leaders, was somewhat as follows: The industrial centers were rapidly becoming depopulated and labor shortage approaching a degree of acuteness that was disastrous. Most of the workmen had fled to the villages. Here was an army of men (perhaps, a half-million in all), trained to some degree in discipline, made up of all sorts of trades and professions. Properly regrouped in accordance with the various occupations, officered by industrial specialists, instead of military ones, it would present a tremendous addition to the labor forces of the country. Moreover, if demobilized, most of it would go to the villages, leaving the question of industrial labor precisely where

\* *Ekonomicheskaya Zhisn*, February 26, 1920.

it was before.\* The transformation of the Red Armies into armies of labor seemed entirely feasible also for the reason that the country would still have an easily mobilized and already trained force in case of military emergency.

As originally conceived by Trotsky (who is usually credited with the whole idea of the militarization of labor), the plan of fitting the Red Army for its labor duties would be to make immediately "a census of all the soldiers of the Red Army by trades, so that whenever demobilization would be deemed possible, the skilled workmen would be immediately set to work wherever needed." As for unskilled labor, it was proposed to mobilize all those classes which had not been called in the previous mobilizations and to demobilize before the expiration of their term those who had been recently called into the Red Army, on condition, however, that "they should undertake to work for a certain fixed period of time in industries near their place of birth." †

Universal labor service should, of course, extend over the workmen already employed at the various enterprises. Thus the system of the militarization of labor would be based, primarily (from the point of view of the first stages of its introduction), upon the demobilized Red Army and the mobilization of the workmen already engaged at various enterprises. The latter would become "fixed" at their place of employment, having no right to go elsewhere, unless ordered to do so by the proper authorities, but obliged to go wherever

\* In his report on the Red Army, presented to the Seventh Congress of Soviets, Trotsky estimated that over eighty per cent. of the total effective strength of the Red Army had been recruited in the villages.

† Moscow *Izvestiya*, December 29, 1919.



sent, when ordered to do so. The combined labor "fund" thus created would have almost every characteristic of an organized army from the point of view of mobility. Since every branch of the country's economic life would be managed and administered from the center in accordance with a unified economic plan, under this system of militarization it would be possible to "distribute labor among agriculture, industry and transportation," as required by each of these branches.

In giving his conception of the militarization of labor, Trotsky defined it as follows:\*

The working masses, under a unified system of economy, should be in a position to be moved, sent and ordered from place to place in exactly the same manner as soldiers. This is the basis of the militarization of labor, and without this we cannot speak seriously of any organization of industry on a new basis in the present-day conditions of disorganization and starvation.

The whole system of the militarization of labor, as it is being applied by the Soviet Government, is based on this conception as its fundamental idea.

One part of Trotsky's original plan, however, had to be given up, at least for the time being: the use of the demobilization of the Red Army. The war with Poland pushed the question of the demobilization into the background. But before this happened, an experiment was made, which, aside from its general interest, also served as a test of the following assertion which Trotsky made in his report to the Party Congress:

\* Report to the Ninth Congress of the Russian Communist Party, Moscow *Izvestiya*, March 21, 1920.

In the transitional epoch in the organization of labor, compulsion plays a very important part. The assertion that free labor, i.e., freely employed labor, is more productive than labor through compulsion, is correct only when applied to the feudalistic and bourgeois orders of society.

In January, 1920, the Third Red Army was transformed into the First Labor Army. This, however, did not mean its demobilization. The army was not reorganized in accordance with the occupations of the soldiers before the war. On the contrary, it was left intact, only, instead of being sent to a camp, it was given such work as could be generally performed by unskilled labor; wood gathering, loading, etc. In the order, issued to the First Labor Army by Trotsky as the President of the War Revolutionary Council of the Republic, it was demanded that discipline in the ranks of the army should be preserved in the same manner as it was at the front, and that "the revolutionary tribunals should punish all those who prove to be lazy, all parasites and looters of national property." Moreover, the army was requested, wherever it was possible, "to begin and end work to the sound of revolutionary hymns and songs." The order ended with an appeal not to "lower the Red standards" on the labor front.\*

How did the army respond to this appeal and react to this attempt to organize the work of mobilized labor in a fervid spirit?

In reporting the work of the First Labor Army during the first period of its work, when the spirit of

\* The text of the order was published in *Petrograd Krasnaya Gazeta*, January 18, 1920.

enthusiasm must have been high if it ever was, a Soviet economist makes the following statement:\*

The official report on the work of the First Labor Army for the period of January 25-28, 1920, published in *Ekonomicheskaya Zhisn*, No. 21, calls attention to two important facts. In the first place, there was an excessively small number of workers: of an army of 150,000, only 23,634 were at work, of whom scarcely 15,000 were soldiers. In the second place, the productivity of labor was exceedingly low. For example, in the district of Yalutovodsk, 1,321 military workers during the three days prepared 57 cubic sazhen of wood, which represents about one-seventieth cubic sazhen per man per day, or thirty times less than the standard of 1916. The productivity of "civilian" workers, given in the same statement for the station of Onoupinskaya, was almost five times greater than that of the military workers, although it was still six times smaller than the standard for 1916.

The author of this article is a good Communist and, by no means, an opponent of the system of militarization. In view of this, the discrepancy between his conclusions and Trotsky's optimistic assertion seems all the more striking and important.

### 7. *Labor Desertion*

The system of militarization, as applied in Soviet Russia to the labor situation, has given rise to a new term, never used before because there was no occasion for using it, viz., labor desertion. In the proclamation of the Commissariat of Labor, mentioned above, a labor deserter is defined as any person who "evades labor conscription."

\* S. Strumilin, article on "Labor Armies and the Productivity of Labor," *Ekonomicheskaya Zhisn*, February 19, 1920.

Specifically, this term is particularly applicable to those workmen who had left their places of employment in the industrial centers and had fled to the villages. The "extraction" of these workmen from the rural districts, i. e., their return to the industrial centers and to the cities generally, is one of the most pressing problems in the whole labor situation in Soviet Russia.

In January, 1920, hope was still entertained in some quarters that this "extraction" could be done without the application of methods of coercion, merely by inducing the workmen to return voluntarily. At the Conference of Provincial Committees of the Department for the Registration and Distribution of Labor, referred to at the beginning of this chapter, the opinion prevailed that compulsion should be applied only if every effort of inducing the workmen to return voluntarily should fail. The Conference believed that voluntary return on a very extensive scale was possible, because most of those who had gone to the villages did not find conditions there entirely satisfactory; for example, the attitude which the newcomers encountered on the part of the masses of the peasantry was seldom anything but hostile. But it was recognized that certain conditions would have to be met by the Government, if this voluntary return should take place.

Among these conditions were the following: the necessity of supplying the workmen with good traveling facilities and with food while on the road; the need of preparing lodgings for them at the places where they were being sent and of providing those who were

going to districts poorly supplied with food with ration for at least one month at the "fixed" prices.

As a condition preparatory to any measures of compulsion which might be applied, the Conference recommended the introduction of "labor books" all over the country, and not alone in Petrograd and Moscow, as it had been until then. This measure was considered of importance not only for ordinary cases of labor desertion, but also for purposes of classification according to trade and occupational specialty and training.

There are no indications of any improvement of the labor situation from the point of view of voluntary return during the months following the Conference; for the conditions recommended by the Conference were obviously impossible for the Government to carry out.\* Measures of compulsion, however, began to be

\* The following description, published in a German newspaper, the *Hamburger Fremdenblatt*, of September 25, 1920, gives a picture of a militarized Russian factory, as seen by a group of German workmen, brought over from Germany by the Soviet Government; it was written by one of these workmen after their return to their native land:

"When we were brought to Kolomna, we saw an immense factory, but not entirely without workmen, as we had been told, but with about 5,000 men, working under military guards. As this was contrary to our contracts with the Soviet Government, we sent three of our number to Moscow to negotiate with the Commissar of Labor; for we saw that we had been deceived and had fallen prey to slave dealers. Our delegation returned after a few days, and reported that the only promise that would be given them was that work would be found for us in factories among Russian workmen, on the same conditions as the Russians.

"In the meantime we were lodged in an empty school house, where we had to sleep on the floor and received scarcely anything to eat. Representatives of the Russian Government visited us there and insulted us, calling us "pleasure tourists," "counter-revolutionists," "unbidden guests," etc. Many of us became ill, and when we complained again to Moscow, we were told that we ought to be ashamed of ourselves for wanting better conditions than the Russian workmen. . . . We were told that we ought not to receive any food at all; as it was, our ration consisted of two hundred grams of bread per day and of soup made of fish bones. Eight of us escaped. Then the rest were arrested, locked in freight cars, and left there for several days without any food, under

applied extensively soon after that. At the end of May, a special order on labor desertion was issued by the Chief Committee on Labor Conscription, providing a series of punishments for various forms of labor desertion.\*

In accordance with this order, all militarized and non-militarized industrial enterprises, institutions and Soviet estates, must keep accurate records of all their workmen and employees, showing the place of their birth, the permanent residence of their families, and the record of each with regard to labor conscription.

Any person, absent from work or leaving his work before closing time and offering no explanation, is considered a labor deserter. Every case of this kind must be reported to the local Subsection of the Committee on the Registration and Distribution of Labor and also to the local Commission on Desertion, which is a part of the Committee on Labor Conscription. The duty of locating the deserter devolves upon the Commission on Desertion. If a deserter cannot be found immediately, an investigation should be made by inquiring of his family and in other manner. Should the investigation disclose the deserter's whereabouts, the Commission on Desertion in that locality must be immediately informed, in order that the deserter could be arrested there.

Any person, possessed of special knowledge or training, failing or refusing to register as a specialist and thus attempting to evade the work for which he is

military guard. Finally, we were taken to Moscow and reached there looking like corpses."

\* The official text of this order appeared in Moscow *Izvestiya*, May 28, 1920.



especially fitted, is also considered as a labor deserter and is liable to arrest as such.

The following punishments are provided for labor desertion, in the wording of paragraph 6 of the order:

1. A workman, guilty of leaving his work and found within not over three days thereafter, if this is his first offense, should be returned to the place of his employment and brought before a disciplinary court on charges of sabotage.

2. A workman, guilty of a longer absence or of recurrent desertions, is liable to imprisonment for a period of not over two weeks or to impression into a disciplinary labor detachment for a period of not over six months.

3. A person, failing to report for mobilization, ordered for the performance of public works, may be punished by a fine and public compulsory labor, or by imprisonment for a period not exceeding three weeks.

4. A person, concealing his specialty, or failing to register for work for which he is especially fitted, in case he can furnish a good excuse, is liable to a fine or imprisonment for not over two weeks, and following that, impression into service according to their specialty; if no excuse can be offered, the offender may be sent to a disciplinary labor detachment for a period not exceeding six months, or brought before the Provincial Revolutionary Tribunal.

Provision is also made for persons, "guilty of aiding or giving refuge to labor deserters." Such persons may be punished by "fines, or by partial or complete confiscation of their property, as well as by imprisonment for a period not exceeding two weeks; in more serious cases, they may be brought before the Provincial Revolutionary Tribunal."

Thus, by means of these measures of coercion and of other measures of similar character and of equal

stringency, the Soviet régime hopes to inculcate in the people those habits of work which are the prerequisite of the final stage of Communism, as required by the theory. In the meantime, for the transitional period, labor conscription is necessary, upheld, in Trotsky's words,\* by "measures of a compulsory character, i. e., in the final analysis, by the military force of the proletarian state."

So far, however, these methods of compulsion have scarcely been successful. For example, a serious attempt was made to carry out a plan of mobilization of general labor for the work of gathering wood fuel in and around Petrograd. The results of this mobilization were as follows: According to Order No. 30 of the Committee on Labor for the Province of Petrograd, the number of persons ordered to report for work was 27,629. The actual number of those who reported was 2,967. The cases of "labor desertion" were particularly numerous in the district of Petrograd itself. There it was possible to mobilize only 835 persons out of a total of 12,765 expected. The amount of work expected from these mobilized workmen was 321,530 cubic sazhen of wood and 1,147,970 logs; the actual production was 77,298 cubic sazhen of wood and 57,020 logs.†

\* Moscow *Izvestiya*, December 29, 1919.

† Petrograd *Krasnaya Gazeta*, January 1, 1921. It is interesting to note some of the reasons that the paper assigns for this state of affairs: "The local authorities take a bureaucratic attitude toward the carrying out of labor mobilization. Being afraid to hurt their relations with the population, they do not take the proper measures of compulsion, allow great latitude in excusing cases of illness, and sometimes assign their friends to easier work. Seeing these weaknesses on the part of the authorities, the people called are in no hurry to report for work."

## CHAPTER IV

### MANAGEMENT

IF, according to the economic theory of Communism, labor proper, i. e., the rank and file of economic producers, constitutes the most important determining factor in the productive forces of a country, the second place in the scale of importance is assigned to management, i. e., the highly specialized and trained directing personnel. In the second stage of the movement, when Communism proper is achieved, the two factors are expected to be merged into one. But until that stage is reached, during the transitional period, management continues to play a rôle of its own, and, as things have developed in Russia, it is the second fundamental *human* element in the situation which the Soviet economic régime faces.

The problem of dealing with the question of management and of its personnel has been rendered particularly difficult for the Soviet régime by two factors. In the first place, the technical and directing personnel of industry and trade can scarcely be squeezed into the hard and fast classifications of the class theory: it is neither proletarian, nor bourgeois, in the strict sense of those terms. And in the second place, the absence of a more or less definite economic program at the be-

ginning of the régime served to complicate and tangle up any notions on management that could be entertained even in a general way on the basis of the theory.

During the first few months of the Soviet régime, the question of the attitude towards the personnel of industrial management was solved in a very simple fashion. For purposes of propaganda it was classed with the bourgeoisie, and subjected to the same sort of persecution. Its response to this prosecution and to the spirit which was back of the persecution was refusal to perform its work even in those places where it was permitted to remain; "sabotage," as this action came to be termed. The Soviet Government attempted at first to break this "sabotage" by force, but failed entirely. By early spring, 1918, the Soviet Government was already willing to change its attitude toward the specialists and the technical personnel of management in the sense of placing it in a privileged position, particularly by offering such specialists and managers very high salaries, rather than keeping their pay on the same level as the general wages of labor.

Thus, it was in the question of management that the Soviet régime made its first really important deviation from its own general theory of Communism. And it is interesting that even to-day, when much experience has already accrued and an economic program has been worked out, the question of management still continues to be of primary importance from the point of view of the principles involved; it is still the subject of numerous and heated discussions.

### 1. *Administration by Committees*

The distinguishing feature of the system of administration established by the Soviet régime when it came into power was the introduction of the collegiate principle throughout the whole system. Wherever there was an individual administrator before, a group, called a collegium or a committee, would be put in charge.\* This affected every governmental activity under the Soviet régime.

From the point of view of historic precedent, the Soviet régime did not originate anything new by introducing the collegiate principle of administration. The French Revolution had done it before, and the financial difficulties resulting from the consequent increase of officialdom was one of the most serious complications that Napoleon had to face. The republican period of the Russian Revolution, under the Provisional Government, also introduced this principle to some extent. But it was the Soviet Government that elaborated the principle into an all-pervading and all-embracing system, and elevated it to the height of the "true expression of democracy in administration." That the Soviet leadership to-day has already given up definitely this conception of the collegiate principle and has begun very earnestly to root out many of the forms which it has taken in actual application, is merely another commentary on the manner in which the Soviet régime regarded historic experience generally during the period following its accession to power.

\* We shall use these terms, "collegium" and "committee," interchangeably.

In the management of industry, and in all economic management generally, the same principle of collegiate administration was also carried out. This proceeded both from the top and from the bottom. When the factory committees took over the management of industrial enterprises during the period of labor control, it was only natural, of course, that the principle of management that should have been introduced was the collegiate one. A managing group appeared now in the place of the individual manager. The system was carried out all the way down, to the very smallest ramifications of industrial coördination expressed in management. When nationalization began to be introduced, the apparatus worked out for it at the top was a part of the whole Soviet system of government and was built on the same fundamental principles as the Government itself. The Supreme Council of National Economy, its various "glavki" and "centers," the local councils of national economy, were all built upon the system of collegiate administration. And as the control of the separate enterprises was taken over by these organs of nationalized economic administration, as factory managements, and regional management, and "kust" managements began to be built up, their construction, naturally, conformed with the general system.

The tremendous growth of the officialdom in the political administration of Soviet Russia was duplicated by an even greater growth of the managing personnel in the economic administration. Moreover, both in the political and the economic administration of Soviet Russia, there was at the beginning an utter lack of



coördination, which resulted in parallelism of work. Every Commissariat dealing with internal affairs maintains its own local organs, rather than its representatives. These local organs extend their activities over many phases of life and usually come in contact, or more often into a clash, with local organs of other Commissariats and departments. For example, the Commissariats of Agriculture and of Supplies have identical duties in the work of obtaining food. For the performance of these duties, the two Commissariats maintain a local organ each, which receive different instructions from the center and usually clash. In the control of industry, the local councils of national economy, the "glavki" and the "centers" in Moscow, and the local Soviets often all have similar duties to perform. The confusion and the parallelism of work that results from such a state of affairs is easy enough to imagine.

All this is now thoroughly realized by the Soviet leaders. In their statements on the results of the general application of the principle of collegiate administration and management, as we shall have occasion to see below, they are very outspoken. And they are taking numerous measures to overcome the difficulties which have resulted from the manner in which their original system has been carried out; although they have not, as yet, broken definitely with all the implications of the original principle.

In December, 1919, an interesting decree was passed by the All-Russian Central Executive Committee, entitled, "Measures for the Simplification of the Soviet Authority." \* By this decree a large number of com-

\* Petrograd *Pravda*, December 31, 1919.

mittees or collegiums in various departments of political and economic administration were abolished; many were reduced in membership; many merged together. In some instances even individual administration was introduced.

All the Commissariats and Executive Committees were directed by this decree to abolish all sections and institutions, whose work is not absolutely essential; to abolish parallel organizations and local representations, wherever possible; and in all cases where feasible, to entrust special tasks to individuals under their individual responsibility. A number of other measures, looking toward the reduction of the officialdom, were provided by this decree.

In the work of economic administration, the following measures were prescribed: All "collegia" of "glavki" and "centers" were ordered to reduce their membership to 3 or 5 members, instead of 5 or 7, as before; the "glavki" or "centers" of various branches of affiliated industry were instructed to unite into single "glavki" or "centers" for the whole industry, which should be directed by a single collegium. For local councils of national economy, it was ordered that in each council the collegia of the various sections should be abolished and the direction of all the affairs of the council be concentrated in the hands of a *præsidium*, consisting of not more than three members. All local organizations of the "glavki" and the "centers" of the Supreme Council of National Economy, hitherto maintained by each, independently of the local councils, were ordered to be merged with the latter.

These measures were followed several months later

by still more far-reaching changes in the management of individual enterprises, of which we shall speak in detail in another part of this chapter.

The growth of the officialdom, in the economic and political administration of the country, may be seen from the following figures, indicating the status of the population of Petrograd. In July, 1920, the total adult population of Petrograd was estimated at 562,404, divided into five groups. The first group comprised the workmen, the actual producers in the Communist sense; it numbered 253,340, or less than one-half of the total. The next group comprised the government employees; it numbered 142,912, or over one-quarter of the whole adult population. The next group comprised soldiers and sailors, of whom there were 113,207. The other two groups consisted of university students and of housewives.\* *Thus one out of every four adults in Petrograd is a government official; one out of every two adults in Petrograd is either a government official or a soldier.*

It must be borne in mind that Petrograd is not the capital of the country. Its officialdom is not national, but local in character. The situation in Moscow in this respect is very much worse.

And when we come to economic management, the situation which exists there may be seen from the following example. At the Briansk Metallurgical Works, the second largest in the "Gomza" group, in 1916 there were 16,132 workmen and 1,548 members of the tech-

\* G. Zinoviev's article on Petrograd elections, *Moscow Pravda*, July 6, 1920.

nical and managing personnel. At the beginning of 1920, the number of workmen had decreased to 7,718, while the number of the other personnel was 1,148.\* In other words, in 1916 for every member of the technical and managing personnel there were ten workmen, while in 1920 there were only seven.

What this state of affairs means from the fiscal point of view in political administration and from the point of view of overhead expenses in the management of industries is quite apparent.

## 2. "*Glavkokratia*": Inefficiency in Production

This condition of affairs, particularly from the point of view of economic management, has been very aptly characterized by Trotsky as "*glavkokratia*," which was a term he used in his report on the militarization of labor at the Ninth Congress of the Communist Party. The "*glavki*" of the Supreme Council of National Economy and their various subdivisions have now taken the place of the traditional governmental "*bureaus*," which had given rise to that much used word, "*bureaucracy*," especially popular in Russia under its Russian form, "*burokratia*." The word "*glavkokratia*" is the Soviet counterpart of what "*burokratia*" stood for under the Imperial régime. Trotsky's description of "*glavkokratia*," given in the same report, is the universal rule of "*red tape*" at every factory and an utter confusion due to delays which are caused by the collegiate execution of matters requiring immediate attention and the

■ *Ekonomicheskaya Zhisn*, March 7, 1920.

frequently contradictory orders and instructions from the center and from special commissaries. If we accept this description, the analogy between the two systems will become quite apparent.

We have already seen in several concrete instances to what this "glavkokratia" and the resulting lack of coördination in the work of economic administration lead. The failure on the part of the various departments to make use of the shipping facilities and the cargo space provided for them according to their request, of which we spoke above, is a striking instance of this lack of coördination. The inability on the part of the Government to provide the cities and the industrial centers with the necessary amounts of foodstuffs even in those districts where transportation does not play any part in the matter, is another striking instance of this. Let us consider this second instance in somewhat greater detail, for the question of food supply is, for the time being, the crux around which everything revolves.

According to the data published by the People's Commissariat of Supplies, the amount of foodstuffs actually gathered by the various governmental agencies from August, 1919, to January, 1920, was about eighty million pounds. The amount expected was about three hundred million pounds; thus only a quarter of the amount expected was actually gathered and supposedly prepared for shipment. But even this was not the greatest of the difficulties. The amount actually shipped was eleven million pounds. In other words, the shipments constituted one-seventh of the amounts actually gathered, or less than four per cent. of the amounts ex-

pected.\* Of course, the difficulties of transportation are partly to blame for this. But in view of the reports concerning the failure of the Department of Supplies to use nearly half of the cargo space placed at its disposal (see Table No. 13 in the chapter on Transportation), it is obvious that the blame for the state of affairs described here rests with the system of "glavko-kratia" and the lack of coördination in the work of the various departments of economic administration.

Another interesting instance of this lack of coöperation is furnished by the textile industry. In summarizing the work of the cotton goods branch of this industry, an official report † makes the following four points:

1. The spinning of cotton was handicapped by the shortage of raw cotton, which was due both to actual insufficiency of supply and to lack of efficiency in the matter of distributing the stocks on hand. At no time, even when the shortage was greatest and the need at the factories most acute, did the stocks fall below 300,000 pouds; but they were at the warehouses, not at the factories.

2. There usually were some amounts of spun material, but seldom at the factories where such material was needed. And when delivered, the spun material was often not of the kind asked for and needed.

3. If spun material was delivered and was of the right kind, many of the factories where this happened usually found themselves without any fuel.

4. When spun material was on hand and fuel was

\* These figures are taken from R. Arsky's article on "Food and Transportation," in *Moscow Izvestiya*, February 24, 1920.

† *Ekonomicheskaya Zhizn*, June 24, 1920.



finally obtained, in a large number of cases there would be no food supplies delivered at the factory and, consequently, very few workmen to do the work.

Largely as a result of this lack of coördination, out of the 319,055 spindles which were operated in April, 1920, over 90,000 worked intermittently.\*

There is no statistical data available that would show what part inefficient management under the system of "glavkokratia" plays in keeping down production even below the minimums obtained by discounting the factors we have already considered, viz., transportation, fuel, raw materials, and labor. But that it plays a part of outstanding importance is witnessed by the seriousness of the measures adopted against it, particularly in the course of the past few months. In a speech delivered at the Third All-Russian Congress of Water Transport Workers, Lenin characterized this phase of Russia's economic situation as follows:

It is a question of the very existence of the workmen-peasant authority; the very existence of Soviet Russia is now at stake. For the existence of Soviet Russia is truly at stake, when incompetent men are at the head of management, when fuel is not delivered on time, when locomotives and steamers are not repaired.

This statement of Lenin's indicates the importance which "glavkokratia," the lack of coördination in the work of the various departments dealing with economic management, and general inefficiency in matters concerned with the various factors of production have in

\* Report in *Ekonomicheskaya Zhisn*, June 24, 1920. The total number of spindles operated in Russia before the war, exclusive of Poland and Finland, was 7,284,572.

the industrial life of Soviet Russia. And a similar state of affairs obtains in the distribution of manufactured goods and other articles of general consumption.

### 3. "*Spekulyatsia*": *Inefficiency in Distribution*

All distribution, i. e., the exchange of goods for money and ultimately for other goods, is officially in the hands of the reorganized coöperative system, acting as a governmental institution. But in reality much of the exchange of goods is done through the intermediary of that peculiar institution of exchange known as "*spekulyatsia*." We have already defined "*spekulyatsia*" as trade, carried on in the same manner as ordinary commercial trade, but clandestinely, since it is forbidden by the Government, and for this reason, as well as because of the forcible interruption in the operation of the law of supply and demand, on an outrageously profiteering basis. We have already seen what an overwhelmingly important part this clandestine trade plays in the life of the people: without it, the whole industrial population of the cities would literally starve to death, since the governmental agencies supply less than one-quarter of the essential minimum of subsistence, the rest coming from the "*spekulyatsia*" markets.

But the question arises, Where do these markets of "free" trade obtain their stocks of goods? Both manufactured goods and foodstuffs are sold there. Where do the manufactured goods come from, if all industrial production is presumably controlled by the Government? The foodstuffs obviously come from the villages, but how are they brought to the cities?

In its inability to organize distribution in such a way as to be able really to control the whole economic output of the country lies the first element of the inefficiency of the Soviet régime in distribution. In its helplessness to stamp out such a glaring contradiction to all of its principles as the universally existent "spekulyatsia" lies another element of inefficiency. And the two, of course, are closely bound together.

In 1919, a special Interdepartmental Commission was organized by the All-Russian Extraordinary Commission, which is charged with the duty of combating "spekulyatsia," as well as the counter-revolutionary activities, for the purpose of making a thorough investigation of the first phenomenon. By February, 1920, the Interdepartmental Commission had completed its study of the situation, particularly in Moscow, and had an exhaustive picture of the conditions as they existed. In announcing the publication of this report, the *Ekonomicheskaya Zhisn* \* made the following statement of conditions generally:

One of the most striking contradictions of our whole economic reality is the contrast between the gaping emptiness of the Soviet stores, with their signs, reading, "The Dry Goods Store of the Moscow Soviet," "The Book Shop," "The Leather Goods Shop," and the busy activities of the Sukharyovka, the Smolensk Market, the Okhotny Row, and the other centers of the "spekulyatsia" market.

But how do these goods, which ought to be in the Soviet stores, get to all these centers of "free" trade? All the stocks of manufactured goods which might have

\* February 18, 1920.

been hidden at the time of the Bolshevik revolution, could not have lasted for over two years. They have, no doubt, been consumed long ago. The *Ekonomicheskaya Zhisn* asks the question as to the source of supply of these markets, and then gives the answer on the basis of the investigation conducted by the Interdepartmental Commission:

We assert that the abundance of goods of all kinds which exists now on the "spekulyatsia" market has for its source only the warehouses of Soviet Russia, from which these goods are supplied there in a criminal fashion. It is we, ourselves, who feed Sukharyovka with the goods it sells and render useless our struggle against the village "kulaki" who supply foodstuffs to the Sukharyovka in exchange for our own cloth, metal goods, etc.

This disappearance of the manufactured goods takes place at every stage of distribution: at the factories, in the course of production itself, of storing and of delivering the products; in the warehouses, in the course of deliveries to and from them, as well as during the time the goods are stored there; in transportation, when both raw materials and finished products disappear; in the process of delivering the goods to the organs of distribution, as well as in the distribution to the consumer proper.

The announcement in *Ekonomicheskaya Zhisn*, in which all this was stated, promised that the documentary evidence, obtained in the course of the investigation by the Interdepartmental Commission and covering all these points, would be published. These documents, however, did not appear. For some reason or other, they were suppressed, but the statements pub-

lished in the announcement shed a most interesting light on the nature of the findings.

It is obvious, then, that the goods sold on the "spekulyatsia" markets are stolen from the various governmental agencies at the different stages of the process of distribution. What is the extent of this looting?

No statistical data is available for the extent of this process at the factories and the mills themselves. For thefts in the course of transportation we have the following figures: in 1918, the amount of goods stolen from the railroad stations constituted six per cent. of the total cargoes; in 1919, it was ten per cent.\* In 1920, the percentage rose still higher, and in order to combat this, a special order was issued by Trotsky, as the head of the Commissariat of Ways of Communication, making theft on the railroad lines a capital offense, punishable by death.

As regards the warehouses, while the documentary evidence of the Interdepartmental Commission is not available, the results of another investigation of similar nature have been published.† In June, 1920, a delegation of workmen from the factories and foundries of Moscow conducted an investigation of the warehouses located in the capital. One thousand, five hundred and sixty-four warehouses were examined. The general verdict on the situation was that "there is universally utter lack of economy on the part of the 'glavki' and the 'centers' in the management of the warehouses under their control, and also criminal 'spekulyatsia' in practically all the warehouses." It is charged that

\* *Ekonomicheskaya Zhisn*, July 3, 1920.

† *Ibid.*, June 26, 1920.

the "glavki" and the "centers" not only "do not know what goods and in what amounts are kept in the warehouses under their control, but are actually ignorant even of the number of such warehouses." The following specific findings were announced:

Large amounts of manufactured goods, footwear, metals, building materials, tools, articles of military equipment, etc., were found in the warehouses. In one place there are 600,000 pounds of soap. Scarcely a warehouse has an inventory of what it contains. The system of guarding the warehouses is very loose, and systematic looting is very common. Those in charge of the warehouses are often unfitted for their jobs. There is no system or order in the processes of storing, receiving and delivering the goods. Proper control and supervision over the employees and the loading crews is lacking almost everywhere.

A similar description of the state of affairs at the warehouses is found in an article of a somewhat later date.\* The author of this article attempts to explain why so much looting of the warehouses is being done and on such a systematic and extensive scale. In a tone that is so characteristic of the Soviet leaders he says:

The irresistible stimulus to theft and looting is the lack of proper provision for the employees at the warehouses. The maximum wages of such employees are 3,000 roubles per month; the minimum, 2,100 roubles. The food ration received by them is the ordinary amount. It is clear that, barring a few exceptions, all those who undertake such difficult and responsible work for so small a remuneration, do so in the expectation of stealing. First, they steal to satisfy

\* A. D. Shcherbakov, article on "The Soviet Warehouses," *Ekonomicheskaya Zhizn*, August 3, 1920.



their own needs. Later on, for "the appetite comes with the eating," they begin to steal for purposes of "spekulyatsia."

It is in this manner, then, that the manufactured goods, with which, as we are authoritatively informed by the *Ekonomicheskaya Zhisn*, the "spekulyatsia" markets are so amply supplied at the expense of the stores maintained by the Soviet Government itself, get to these centers of "free" trade. But how do the food stuffs get there?

The Government maintains a monopoly of the sale of all food products. This monopoly, however, is impossible to enforce in the villages, where large amounts of foodstuffs change hands secretly. These foodstuffs are then carried to the cities in bags, by a special class of middlemen known as "bagmen," i. e., those who carry sacks of flour, or vegetables, etc., for sale in the cities. They have developed what appears to be marvelous technique in avoiding arrest on the railroad trains while in transit. But besides the regular railroad guards, the Soviet Government places special "guard detachments" at all railroad stations in the vicinity of larger cities, charged especially with the duty of intercepting the "bagmen." The manner in which these "guard detachments" do their duty may be seen from the following description:

The "guard detachments," intended for a struggle against the profiteering "bagmen," have become in the majority of cases merely an organization for assisting "spekulyatsia." . . . For a bribe in money, alcohol, or substitute liquor, they not only permit the "speculators" to bring in their products, but even help them. At railroad stations one can often see these "guardians of the law" carrying bags with

flour or other food products on their shoulders, pushing the passengers aside, and followed by the "speculators" in whose pay they are and whose contraband they carry.\*

The "guard detachments" are supposed also to assist those workmen who are detailed by the authorities or by their organizations to the rural districts to obtain foodstuffs. But according to the author of the article, the "guard detachments" in many cases, "not content with the bribes which they receive from the enterprising 'speculators', rob the workmen when they carry grain and other food products by permission of the authorities." As a general thing, wherever "guard detachments" are stationed, the "bagmen" and the "speculators" usually "find things very easy for them, but the workmen traveling with permits are robbed of everything they have." Unless, of course, they too follow suit and emulate the enterprising provenders of the "spekulyatsia" markets in the art of bribing.

When such is the state of affairs, it is easy enough to see how the forbidden goods and foodstuffs find their way to the centers of the "spekulyatsia" trade.

#### 4. *Private Initiative in Disguise*

It is obvious, of course, that this practice of "spekulyatsia" could grow up only on the basis of an exercise

\* G. Evdokimov's article, "Working for the Counter-Revolution," Petrograd *Pravda*, December 26, 1919. Continuing his description, the author of the article says:

"Eye witnesses tell of dreadful things happening, for example, at the station of Luga (near Petrograd). In the barracks of the 'guard detachment,' flour and meat are scattered all over the floor. There is a smell of alcohol all around. . . . A railroad workman told me that in order to bring a bag of flour for which he had a permit from Vitebsk to Petrograd, past four 'guard detachments,' all that was necessary for him was to have four bottles of liquor. The bottles had better effect than any order signed by the Council of People's Commissaries."

of some form of private initiative in the processes of production and distribution.

The Soviet press devotes considerable attention to this question, but nowhere is there to be found a more frank discussion of it than in an article which appeared in the official organ of the Russian Communist Party over the signature of a rather prominent writer on economic questions.\* The article is devoted to the part which the process of "spekulyatsia" plays in the Soviet institutions of production, distribution, inspection, and control.

The author of the article makes the point that many of the nationalized and state-owned factories and foundries "are either at a standstill or else are barely functioning at all"; while at the same time, privately-owned enterprises, "masquerading under the guise of 'kustar' and coöperative enterprises, are working and flourishing." And the owners of these disguised private enterprises manage to sell most of their products at the "spekulyatsia" markets at very high prices.

As we pointed out in the chapter on Nationalized Production, there are two important classes of non-nationalized enterprises, viz., those controlled and financed by the Soviet Government, and those that exist without any control. The article we are quoting discusses the situation for both of these classes.

The private enterprises controlled by the state receive their stocks of raw materials from the Soviet institutions that control the distribution of these stocks; they are expected to sell their products to the Government.

\* B. Frumkin, "The Roots of the 'Spekulyatsia,'" *Moscow Pravda*, February 4, 1921.

In the transaction, the owners of these enterprises receive a certain margin of profit. But this margin is regarded by them as utterly inadequate, and other means are sought to increase it. The "spekulyatsia" trade offers such means.

But how can this disguised private "entrepreneur" succeed in operating his enterprise when the state-owned works cannot? The answer is that by paying bribes, the private "entrepreneur" finds it possible to obtain orders from the Government, as well as the stocks of materials and of fuel that he needs for the filling of these orders. The process of this bribe-giving is described as follows:

The private "entrepreneur" has to pay bribes to everybody in the Soviet institutions. He pays for the very fact of receiving the order; for the drawing up of the agreement; for the estimates; for the right to receive cash payment; for the right to obtain raw materials and fuel; and to countless controlling and receiving commissions. If his papers have to pass through several stages or even institutions, the same thing takes place in all of them. Some officials take bribes and in exchange for that really violate laws; in the terminology of those who take bribes that is called a "le-gitimate" bribe. Others receive a bribe merely for taking a document to their superiors for signature. Some take bribes for not interfering. Still others take bribes simply because they can get them; such officials are called plain swindlers. Every investigation, every inspection really turns out to be another bribe assessment. And not to give bribes is impossible. Reasons will always be found for dragging the case indefinitely, for refusing to furnish the materials required, or for furnishing materials that are not of the proper quality.\*

\* B. Frumkin, loc. cit.

The officials themselves explain their bribe-taking on the ground that the Government does not pay them enough to live on. The "entrepreneur" justifies his bribe-giving on the ground that he can always make a large enough margin of profit, since he has an opportunity to sell at the "spekulyatsia" market, not only a part of his finished product, but also a part of the raw materials he obtains from the Government. Moreover, by paying bribes, he makes "friends" among officials and can always count on them for "favors" in the evasion of such laws as those concerned with universal labor, service, etc.

The privately-owned enterprises which are not controlled by the state (and they constitute "a vast majority of the small enterprises," as Mr. Frumkin assures us), both get their raw materials and sell their products in the "spekulyatsia" market. How do the stocks of raw materials get to these markets? Mr. Frumkin has the following explanation:

A Soviet institution sends in a request for some materials to another organ of distribution, and in many cases such a request is fictitious and forged. But all this takes place as a result of an understanding with the officials of the institution by which the materials are furnished, and the further development of the transaction needs no elaboration. Moreover, there are always in the Soviet warehouses certain amounts of goods, concealed from inspection and control, again as a result of an understanding with the comrades who are working in these institutions. Figures in the reports concerning outgoing materials are often exaggerated. Inventories at the time of the delivery of requisitioned materials are falsified. Fictitious thefts are reported, etc. Finally, when factories are nationalized and the stocks on hand are taken over by the Soviet institutions, the inventories are

often falsified and certain amounts are concealed from inspection.

The conclusion which Mr. Frumkin draws from all this is expressed in the following significant words:

Thus the whole energy of the officials of these state institutions is directed toward helping the privately-owned enterprises. And what can remain for state-owned enterprises?

Mr. Frumkin proposes a number of changes, looking toward an improvement of this situation. He considers the fact that the specialists and managers trained, naturally, before the introduction of Communism, are so prominent in the management of economic affairs under the Soviet régime as a great danger to the régime, especially when they are left in the same place too long. So he suggests a complete redistribution of these specialists on a national scale and the introduction of more stringent control over them. Moreover, he considers it necessary to impress upon all good Communists that "it is the duty of each one of them to report all cases of improper practices, paying no attention to the fact that, because of this, they may be denounced as base informers by the specialists who may be involved."

The most important of his nine specific recommendations is concerned with the need of giving up the practice of entrusting any work of production to small-scale enterprises, run on the basis of profit by private entrepreneurs. Here, however, he enters a sphere of very complicated relationships. Beginning with the second half of 1919, there has been a constant growth of small-scale production, carried on by private individuals, usu-



ally in coöperative groups. And this growth was accompanied by a decrease of the output of the state-owned factories. The following Table illustrates this:

TABLE No. 1

*Amount of Wool Furnished by the State in 1919*  
(In thousands of pounds.)

	First 6 mos.	Second 6 mos.
To Factories .....	175.0	73.0
To Kustars .....	77.8	192.8

On the basis of these figures and of similar material, the author of the article from which this table is taken,\* makes the following generalization:

On the basis of our profound economic disorganization, there is taking place a contraction and weakening of factory production and the diminution of its significance for the economic life of the country.

Industry under these conditions is reverting to "kustar" or small-scale, home production. And coupled with the new conditions of distribution, this results in the growth of the practice of "spekulyatsia."

There is still another phase of the situation and another form of the exercise of private initiative on a very primitive scale in the basic economic processes. So far we have been dealing with enterprises which are conducted more or less openly on the basis of private ownership. But the "spekulyatsia" markets are fed also from another spring. It is reported as a universal

\* A. Bubnov, "The Factory and the Kustars," Moscow *Pravda*, August 19, 1920.

occurrence that workmen employed in nationalized enterprises make it a practice of stealing materials provided for these factories, working them over into simple articles of general consumption during working hours, and with the use of the factory machinery, and then selling such products for personal profit. This is especially noticeable in the smaller centers. A writer in the official organ of the Petrograd Trade Unions \* makes the following statement:

Ask how many days a man actually works in a factory and how much time he spends in making things which he sells personally. Ask the peasants where they get their utensils and smaller implements. The answer is that these products are exchanged for bread, meat, butter, etc. *The manufacture of small articles of consumption out of materials in the state-owned factories and the sale of these articles to the peasants by the workmen themselves is a common occurrence.*

### 5. Financial Chaos

It is curious that in the domain of finance the Soviet leaders have made no attempts to introduce new forms, except on one occasion for a specific purpose.

The taxes formerly gathered from the peasantry are now taken in the form of grain requisitions. Thus, they have ceased to play any part in the fiscal arrangements of the Soviet régime. Industry and trade remain as the only active sources of revenue. But in this domain, the Soviet financiers have contented themselves with the preservation of the old forms of taxation. It is true that the amounts expected and particularly the amounts actually received as taxes are very

\* P. Sirotinin, Petrograd *Makhovik*, February 4, 1921.

small in comparison with the expenditures, but the question nevertheless presents interest, particularly since this question of taxation affects directly the management of the industries.

It has now become a truism that most of the expenditures of the Soviet Government are covered by new issues of paper money. But it is a matter of controversy as to how large a part of the general expenditures is thus covered. The figures given some time ago by a competent Soviet economist \* indicate that during the second half of 1919, eighty-nine per cent. of all the expenses of the Soviet Government were covered by issues of paper money. Only once during its whole career was the Soviet Government able to show a budget that would not be built entirely on issues of paper money. That was during the second half of 1918, when a special revolutionary tax of ten billion roubles was levied, constituting incidentally the only original financial measure ever undertaken by the Soviet Government. As a result of reading this special tax into the budget, the Government was able to show on its credit side, a sum that covered eighty-five per cent. of the expenses. What the actual budget was like, i. e., what the actual receipts were, is not known; but the reports available concerning the receipts of the special tax are scarcely encouraging.

The taxes in Soviet finance as in ordinary finance are divided principally into three classes: direct taxes, indirect taxes, and custom duties. The relative importance of these three forms of taxation during the second half of 1919 was as follows: the indirect taxes were

\* L. Krassov in *Ekonomicheskaya Zhizn*, February 18, 1920.

expected to furnish 64 per cent. of the total amount; the direct taxes, 30 per cent.; and the custom duties, 6 per cent.\*

The manner of levying the indirect tax is similar to the old system of excises. A percentage is paid to the Government Treasury on all the products of the industry controlled by the Supreme Council of National Economy. It is specified, however, in the decree of November 21, 1918, which established the system, and in the special regulations explaining the decree, issued almost a year later, that such a levy should be made on all goods, for which the Supreme Council establishes a "fixed" price, and that the amounts due to the Government should be revised with every revision of "fixed" prices. Payments of this tax are made by bank transfer of the total sum for the given period to the Division of Indirect Taxation.†

The State Treasury of the Soviet Government does not seem, however, to profit very extensively through the use of this system. For the year 1919, the amount estimated as due for transfer to the Treasury through the Department of Indirect Taxation was 3,127,707,-840 roubles. Of this amount, by January 1, 1920, only 193,597,086 roubles, or about 6 per cent., were actually transferred.‡ As a result of this, the Commissariat of Finance is now making an effort to have this system of indirect taxation entirely abolished, and a system of the transfer of a share of the profits of nationalized industry to the Treasury substituted for it.

The nationalized industry thus serves at best as a

\* Krassov, loc. cit.

† *Ekonomicheskaya Zhisn*, January 13, 1920.

‡ Krassov, loc. cit.

very poor source of state revenue. What is the condition of its own finance?

At the beginning of 1920, the Supreme Council of National Economy published its budget for the second half of 1919. The expenditures of the nationalized industries of Russia for those six months, exclusive of the ways of communication, constituted 35,578 million roubles. The receipts of the various branches of the Supreme Council are mentioned as not having been computed. This point is explained by the fact that the accounting system of the Supreme Council has not been organized, and it is impossible to tell in terms of monetary units how much the nationalized industry in Soviet Russia actually produces.\*

In the Explanatory Note, attached to the budget, this fact of the impossibility of determining the value of the output of the Supreme Council of National Economy is mentioned as one of the "defects" of the financial side of the system. Another "defect," mentioned in the Explanatory Note, is the tremendous growth of wages due to increase of personnel, etc. As an illustration of this, the following figures, given in the budget, will serve the purpose. During the first half of 1918, the expenditures for the local organs of the Supreme Council constituted 4 million roubles; during the second half of 1918, they were 32 million roubles; during the first half of 1919, 63 million roubles; and during the second half, 437 million roubles. Finally, the third "defect" mentioned in the Explanatory Note is that only a part of the budget is drawn up in accordance

\* M. Vindebot, article on "The Budget of the Supreme Council," *Ekonomicheskaya Zhizn*, February 17, 1920.

with definite plans and estimates. In the first budget (first half of 1918), a very small part of it was spent according to plans; during the second half, such expenditures were 60 to 70 per cent. of the other part of the budget; in the third budget, they constituted 75 per cent.; while in the fourth, they were already twice the amount spent without preliminary plans or estimates. Considering, however, the growth of the budget, the Explanatory Note considers it justified to call this state of affairs a "defect." For when we turn to concrete figures, we find that during the second half of 1919, the amount spent without preliminary plans and simply entered into the expenditures of the Government as a whole constituted over ten billion roubles, to which must be added almost four billion, spent in a similar fashion by the divisions of the Supreme Council concerned with public works.\*

Now, if we take a concrete illustration of what the growth of overhead expenses means in the finances of the nationalized industry, we shall get the following picture. Taking calico, as a commodity of great importance in the national life of Russia, Table No. 2 given on p. 228 shows the relative importance of various factors in the production of calico at various periods.

This table is an excellent indication of the price that Russia is paying for her loss of labor discipline and for the system of management that she has to-day in her industry.

When we come to the question of distribution, we find a similar picture there, with all the "defects," pointed out in the Explanatory Note to the budget of the

\* M. Vindebot, loc. cit.



TABLE No. 2

*Cost of Factors in Production of Calico \**

	Retail price (in cop.)	Raw cotton	Labor (% of retail price)	Overhead
August 1, 1914 . . . .	18.5	28.4	13.8	35.4
June 1, 1917 . . . . .	77.0	16.0	22.0	32.5
May 1, 1918 . . . . .	202.0	20.0	24.2	39.3
November 1, 1918 ..	360.0	11.2	27.6	42.1
January 1, 1919 ...	757.0	5.3	21.2	49.3
September 1, 1919 ..	1660.0	6.6	18.3	...

Supreme Council of National Economy present there. The decree of March, 1919, followed by that of January, 1920, unified the whole system of distributive co-operation, placing its apparatus at the disposal of the Soviet Government. In most of the provinces the amalgamation of the various forms of coöperation and the introduction of Soviet control in them through the induction of Communist majorities throughout has been completed. A huge apparatus with a very large personnel constitutes the system of coöperative distribution. How much work does this apparatus perform?

Figures are available for one of the first Governments to carry out the reorganization, prescribed by the March decree, viz., the Government of Saratov.† Its Provincial Union employs 400 persons. It has ten regional unions, each employing 150 men. Then there are 500 stores, each employing, on an average, ten to fifteen

■ *Ekonomicheskaya Zhisn*, March 9, 1920.

† These figures are taken from an article on "Coöperation," by A. Fokin, in *Ekonomicheskaya Zhisn*, June 9, 1920.

men, altogether about 5,000. Thus the coöperative apparatus of the province has a working personnel of nearly 6,900. This does not include the employees of the municipal consumers' leagues, the number of whom is not available. Nor does it include the representatives of the central coöperative institutions, whose number also is not available.

The turnover in 1919 was 258 million roubles. Taking only the available figure for the personnel, viz., 6,900, we get 36,000 roubles for each employee. Since prices in 1919 were considered to be about sixty times higher than the pre-war prices, the turnover per employee was about 600 roubles at normal value. If we add in the number of employees in the municipal consumers' leagues, the turnover per man would be still smaller.

Now, each employee in wages and food ration cost in 1919 about 24,000 roubles, or a total of 165 million roubles. In other words, the personnel alone of the coöperative apparatus of distribution cost the Government 65 per cent. of the total turnover.

If we increase these figures to cover the whole country, the situation will be quite obvious.

Taken together, the two phases of the Soviet economic system, the nationalized production and the coöperative distribution, from the point of view of their financial management, show a maze of figures that have been well characterized as "astronomical" on the side of the expenditures, and an utter chaos on the side of revenues and results. And when we turn to the total budget of the Soviet state, we find that the estimate for 1920

called for 150 billion roubles in revenues and 1,100 billion roubles in disbursements.\*

### 6. *Taking Over the Experience of the Bourgeoisie*

By the end of 1919, i e., after their first two years in power, the Soviet leaders came to a realization that different economic methods are necessary in the work of economic management. It was this realization that Lenin expressed so aptly in one of his speeches, when he said, "The closer we come to the work of administration and management, the more we realize that we do not know how to manage."

The Soviet leaders saw clearly that the inefficiency which became the rule of the day in every domain of the country's economic life was due primarily to the methods which were being applied, and they set to work changing some of those methods. And it is very interesting that at this period of their career they became timid about experimenting with untried notions and began to turn back to what they termed the "experience of the bourgeoisie."

At the beginning of the Soviet régime, in March, 1918, when the question first came up about the payment of large salaries to specialists, Lenin justified this on the ground of necessity, and characterized it as a "compromise," a concession to the bourgeois opposition.† Two years later, in March, 1920, in discussing the question of management from the point of view of whether it should be by individuals or by committees,

\* *Ekonomicheskaya Zhizn*, September 28, 1920.

† N. Lenin, "The Problems of the Soviets," New York edition in Russian, p. 18.

Lenin characterized those who were in favor of the collegiate principle as exhibiting "an insufficiently high level of class consciousness." In this speech of his, Lenin assures us that whenever he thinks of this question, he wants to say: "The workmen have not learned enough from the bourgeoisie." \*

The point that Lenin made in this speech and in a number of other speeches at this period refers not only to the question of management, but also to other phases of economic activities. And his speeches were only a part of the general campaign of agitation which the Soviet authorities conducted in favor of a reorganization of the whole industrial apparatus on a basis that would be different from that hitherto used. The change was to consist in introducing efficiency by the methods already tried successfully under the capitalistic order, rather than by the problematic methods which Communism attempted to introduce during the first two years of the régime. In one of these efforts at agitation in favor of new methods, the situation was summarized as follows:

Let us imagine that by some miracle the whole bourgeois class would undergo internal transformation and that the former owners of all enterprises in agriculture, industry, trade, and transportation would begin to work not for their own pockets, but for the State as a whole. This would mean, for example, that all such owners would give up their profits and their claim to surplus value and would be satisfied to get wages for their work. It is clear that under such circumstances, the whole economic apparatus of the bourgeoisie would be suitable for our purposes and that it

\* Lenin's Speech at the Third All-Russian Congress of Transport Workers.

would not be necessary to demolish any part of it. All the workmen, employees, managers, directors, owners could remain where they were. The whole apparatus would simply cease working for individual profits. Each person, taking part in the work, would satisfy his needs out of that unified fund which would have been created out of the products of the whole apparatus, and which Soviet Russia is now trying to create by means of the Supreme Council of National Economy and the reorganized system of coöperation.

But this ideal state of affairs did not come to pass. At the same time, the workmen have never had any experience in management. So it becomes necessary to take over, if the whole apparatus of the bourgeois system is inaccessible, at least some parts of its experience. The author of the article from which we have just quoted the above description \* enumerates some of the things in the experience of the bourgeoisie which ought to be taken over by the Soviet régime. With regard to labor, as we saw in the preceding chapter, piece work and premiums, developed under the capitalistic system to stimulate effort and increase productivity, should be introduced also by the Communist economic régime. But since they are insufficient under either system, compulsion should be also used. And here, as we have already seen, the Communist régime has gone far beyond its predecessor.

With regard to management, two things are important. In the first place it is necessary to get back as many of the old managers and technical directors as possible. They have had the experience necessary for the managing of industries; new managers and di-

\* Kiy, article on Management, *Ekonomicheskaya Zhizn*, January 11, 1920.

rectors cannot be trained to take their places over night; hence every effort should be made to bring them back. But merely to have them back is not enough. They must be placed in conditions in which they can perform their tasks with an adequate degree of success. And here again the experience of the bourgeoisie is invoked.

The author of the article goes to particular pains to show that the trend of development in modern industry under capitalism has been in the direction of making the actual managers of enterprises responsible to fairly large groups, the stock companies. Under these conditions it becomes immaterial whether the managers are individuals or groups; the important thing is the fixing of responsibility. Once that is done, whichever form proves more efficient should be used. So under the Communist régime, too, when all managers must bear responsibility before the Supreme Council of National Economy and the central governing body of the coopération, the same principle of efficiency should be applied, regardless of form.

It is clear enough that when such pains are taken to prove something, there must be a powerful opposition to it. And on the question of management there was a very marked difference of opinion among various Soviet leaders, based, however, not on the question of efficiency or efficacy of one form or the other, but on the degree of the compromise with the principles of Communism demanded by the acceptance of the bourgeois experience. This question was finally settled at the Ninth Congress of the Communist Party, and the victory rests entirely with those elements which are



strongest in favoring the acceptance of the economic experience of the bourgeoisie.

### 7. *Collegiate or Individual Management?*

In the discussions of the question of industrial management as far as the acceptability of the various forms from the point of view of class principles was concerned, many different opinions were entertained by various factions.

At one extreme was the group which held that the to do with the question of class principles. This group form of industrial management has nothing whatever pleaded that the question of management should be looked upon entirely from a practical point of view, and that in its determination the experience of the bourgeois system should be taken into account. The most important spokesmen for this group were Lenin and Trotsky themselves. In the speech at the Third All-Russian Congress of Transport Workers, which we have already quoted, Lenin pleaded that the proletariat should, on this question, show, at least, as much class consciousness as is ordinarily shown by the bourgeoisie. He said:

Was it possible in the former times for any one who considered himself a defender of the bourgeoisie to say that there should not be any individual authority in the administration of the state? If such a fool should have been found among the bourgeoisie, the other members of his class would have laughed at him. They would have said to him, "What has the question of individual or collegiate management to do with the questions of class?"

The policy urged by this group is the practical abolition of the collegiate principle in the whole system and its complete immediate abolition at the lower stages of the system of industrial management, i. e., at the separate enterprises.

The other extreme was represented by the group which proclaimed the collegiate principle in management as the only one conforming with the ideals of the dictatorship of the proletariat, and conversely, the principle of individual management as betrayal of these ideals. The spokesman for this group was M. Tomsky, the President of the Executive Committee of the Trade Unions. In his theses on the rôle of the trade unions in the economic life of the country, presented to the All-Russian Congress of Trade Unions, Tomsky declared that the only way of insuring an effective participation of the workmen in actual management is through a universal application of the system of collegiate management.

An attempt to hold the middle course between these two extreme views was made by a group, without any outstanding spokesmen, which presented a series of theses on the subject to the Ninth Congress of the Communist Party. In these theses the principle was laid down that neither of the two forms of management constitutes in itself the "only and the inevitable" form for the proletarian authority, and that the significance of each may vary "in different branches of management and under different historic conditions." Moreover, neither of the two forms may be considered absolutely superior technically; for, "if the individual management is the simpler form, the collegiate management

guarantees a fuller degree of attention and study given to each decision."

At the same time, the collegiate form should be considered the higher type of the two for several reasons. In the first place, it teaches "to treat and decide particular questions from the point of view of the interests of the whole." In the second place, it brings the former bourgeois specialists in contact with the proletarians and leads them to become permeated with the proletarian psychology. Finally, it makes responsible workers less likely to drop into grooves of narrow specialization. In view of this, the system of collegiate management should be preserved even at the factories, where, however, the committees of management should be made as small as possible. Individual management should be introduced only in special cases, particularly at the smaller enterprises and at the militarized works. Special care should be given to the membership of the managing groups from the point of view of efficiency.\*

The Ninth Congress of the Russian Communist Party, held in April, 1920, in its resolution on the system of management, adopted as the fundamental principle the idea that the collegiate form is more desirable in deliberations resulting in decisions, but that the form of individual management is more desirable in work of execution, in the carrying out of these decisions. For the immediate future the following forms of management are prescribed: In the divisions and separate shops of the large factories individual management

\* Theses on Collegiate and Individual Management, by N. Ossinsky, T. Sapronov and V. Maximovsky, published in *Ekonomicheskaya Zhizn*, March 28, 1920.

should be introduced everywhere. As soon as possible, all collegiate forms in the management of whole factories should be abolished and individual managers substituted for them. At the intermediate and the higher stages of the industrial administrative apparatus, the collegiate system should still be preserved, but in an abbreviated form, i. e., the membership of the committees should be reduced as far as possible.

Four different forms of management for individual enterprises are included in the resolution of the Congress. First, the manager may be a workman, in which case he must have a specialist as a technical assistant. Second, the manager may be a specialist, in which case he must have a Communist commissary working with him. Third, the manager may be a specialist, but with one or two Communist Commissaries, whose prerogatives would be greater than in the second case and would give them the right in special cases to control the manager's decision. Fourth, in some enterprises, collegiate management may be permitted as an exception, if the managing group shows signs of efficiency.

By the introduction of these new forms of management, the Soviet régime hopes to overcome the disorganization caused by its experimentation with the forms which are now being discarded.

### *8. Concentration of Effort*

The introduction of new forms of management, however, is not the only thing that the Soviet régime counts upon for at least some efficiency in its industrial man-

agement. It also makes attempts now to introduce a concentration of economic effort for which a preliminary plan of work was devised by the Ninth Congress of the Communist Party.

This plan of work is divided into four periods. The first is devoted to the stabilization of the apparatus for the obtaining of food supplies and fuel and for the reestablishment of the system of transportation. The second period is that of the construction of the machinery necessary for the means of transportation, the extraction of raw materials and the production of food supplies. The third period covers the construction of the machinery necessary for the satisfaction of mass consumption. Finally, the fourth period is devoted to the production of articles of general consumption. With the termination of the fourth period, the economic life of the country would be practically normal.

This plan was devised by a group of theoretical economists and was sponsored at the Party Congress by Trotsky. Its discussion occasioned many heated debates, in the course of which it was pointed out that the plan of dividing the economic effort of the country into such arbitrary periods is entirely theoretical and unworkable, that economic processes do not operate in this manner at all, etc. Nevertheless, the plan was adopted in practically this form and is embodied in the resolutions of the Congress.

For the immediate purpose a still further concentration of effort is being introduced. The more important industries are divided into two groups: the group of enterprises which can perform good work, and the

remaining enterprises. The first group is singled out and is given a name borrowed from military experience, viz., the "shock" group. Just as the war developed a system of "shock" troops, so the militarized industry in Russia under the Soviet régime is to have "shock" groups of factories. These factories are placed in privileged conditions with regard to supplies of labor, food, fuel, and raw materials, and are expected to show greater productivity.

The extent of total disorganization of Russia under the Soviet system of management and the paucity of the resources at the disposal of the régime for purposes of economic reconstruction may be seen from the moderateness of the "shock" program. In metallurgy, for example, sixty enterprises have been chosen, or one-quarter of the total number merged by the Soviet régime into the metal trust. They are expected to give twenty million pouds of pig iron, as against the pre-war production (for the whole of Russia with the exception of Poland) of 257 million pouds.\* In the textile industry, the "shock" group in the cotton goods branch consists of seventeen factories with a total of 434,200 spindles, as against the pre-war total for the whole country of over seven million spindles; in the weaving branch, the "shock" group comprises 17,841 looms as against a total of 164,700 looms already nationalized.†

No estimate is given of the number of years that it would take to carry out the plan of reconstruction for all of its four periods. But judging by the plan of the Commissariat of Ways of Communication (see Chapter

\* *Ekonomicheskaya Zhisn*, April 28, 1920.

† *Ibid.*, June 24, 1920.



I) to spend four and one half years on the railroad rolling stock alone, and judging also by the speed indicated by the "shock" program, the pace of reconstruction appears to be very slow, indeed.

## CHAPTER V

### AGRICULTURE AND THE PEASANTRY

RUSSIA is primarily an agricultural country; rural economy is the basis of her whole economic life. Eighty-five per cent. of her population is peasantry, traditionally either actually or in aspiration small land proprietors. Her methods of agriculture have always been primitive, non-capitalistic, except on a small number of large landed estates. In no domain of Russia's economic life, therefore, have the general conditions been less suited for the purpose of introducing Socialism and Communism; nowhere have greater difficulties been encountered. The attitude of the peasantry is the third fundamental *human* factor in the situation created in the course of Russia's experiment in the economics of Communism.

We have already seen in Part One what difficulties the Soviet régime faced from the point of view of the forms of a Socialistic scheme of agrarian arrangement, as well as some of the results achieved so far in this direction. We shall now examine in detail the various phases of the problem which the Soviet economic régime has been compelled to face in its relations with the peasantry, its attempts to organize agricultural production, and its efforts to solve the pressing questions of the food crisis.

*1. The Peasants and the Land*

The watchword of the peasantry through both Russian revolutions was "Land and Freedom." This watchword the Bolshevik leaders had to meet and to satisfy, at least outwardly, at the very outset. One of their first acts after coming into power was a decree concerning the land, issued November 7, 1917.

By virtue of this decree, all land formerly held by landowners was confiscated without any compensation. The confiscated lands were ordered to be placed at the disposal of the local land committees and councils of peasants' deputies up to such time as the All-Russian Constituent Assembly would decide definitely the whole agrarian question. The lands belonging to peasants and Cossacks were specifically excluded from confiscation.

At the same time a set of regulations was adopted which were to serve as temporarily governing all rural activities from the point of view of agrarian arrangements. These regulations, issued by the Soviet Government as a provisional law, again operative until the action of the Constituent Assembly, were to be considered as the bases of the agrarian legislation desirable from the viewpoint of the new régime.

The basis of these provisional arrangements was the abrogation of the institution of private property to land. Under the plan proposed, all land, confiscated by the decree, as well as left by it in the possession of the peasantry, should become the property of the whole people and should be used only by those who actually work on it. Former estates with a high-degree of agri-

cultural development should not be cut up, but left intact for utilization by the state or by communities. All the technical equipment on such estates should be confiscated by the state, while the tools, implements, live stock, etc., in the possession of the peasants should be left undisturbed. Thus, the whole area of tillable land would become the property of the whole people, administered by the state. The means for working this land would be partly left in the hands of the peasants, and partly become the property of the state.

All citizens, of both sexes, would receive the right to work the land, provided they can do so with their own hands or with the assistance of their families. All forms of hired labor were forbidden. If any member of a village community would find himself incapacitated for a period not exceeding two years, the community should till his land for him. When the period of incapacitation would exceed two years, the invalid must lose his right to the use of the land, and the state must pension him.

The land in a given locality must be divided equally among the whole working population in accordance with local conditions. Land may be used individually, by groups, communities, villages, etc. In each locality the land should be redivided periodically. If at the time of land division, the area of tillable land should be found insufficient to supply the needs of the population, the excess of the population may be moved to another locality, the expense of such migration to be borne by the state.

In the meantime all damage done to confiscated

property was to be considered a revolutionary crime to be severely punished.

This plan was sanctioned by the Second All-Russian Congress of Soviets, which was in session at the time of the overthrow of the Provisional Government. After the Constituent Assembly was dispersed by the Soviet Government and the Third All-Russian Congress of Soviets met as the highest legislative body, it approved practically this entire plan, restating it in terms of the socialization of land. The distribution of land, called for by the plan, was begun in the spring of 1918.

There was no uniform system of land distribution. Each province or Government used its own methods with greater or lesser degree of success. And it was only natural in the course of events that the local authorities charged with the task were utterly unable to cope with the situation.

In the Government of Tula, for example, the Provincial Commissariat of Agriculture sent out a circular on March 13, telling the peasants that each community would be given precise information as to what lands in the vicinity were subject to redivision and that over one hundred surveyors would be detailed by the Commissariat for the purpose. However, neither of these promises could be carried out by the Commissariat. Even if all the surveyors could be sent out (which was not done in reality), each of them would have had to cover at least sixty districts; an obvious impossibility. Moreover, not all parts of the Government had land available for redistribution. In actual practice, the following took place: in the localities where lands for-

merly owned by private individuals were found, they were cut up and divided among the peasants; in the localities where no such lands were found, the peasants received no additional land. Moreover, the peasants who had more land than the norm set for the province were deprived of a part of their holdings. All sorts of enmities among the peasants themselves ensued. In some places, where the peasants of one community had to cross the territory of another to get to some of their lands, they often found the way blocked and their possessions actually separated. And when the whole preliminary work of redistribution was finally completed, many peasants found themselves still without any land: there was not enough for all, while the moving of the excess population to other parts of the country was a physical impossibility.\*

In the Government of Tambov the peasants began the introduction of the agrarian reform with the destruction of the well-organized estates, ordered confiscated by the Soviet Government. This work of destruction was going on practically the whole winter of 1917-18, and over a thousand estates were lost. The official organ of the Zemstvo stated at the time that instead of the extensive technical equipment which was expected as a result of the confiscation of the landed estates, the agricultural work during the spring that was then approaching "would have nothing in the way of implements, live stock, etc.; it would have to be done almost with bare hands." Buildings and implements were destroyed; live stock killed off or sold for trifles

\* *Moscow Novy Den*, May 15, 1918.



by the looting peasantry. Under such conditions, even the cutting up of the estates for the use of the peasants promised little improvement in their condition.\*

The situation was greatly complicated by the fact that while this work of redistribution was in preparation or in actual progress, there were two disturbing elements, both making for an intensification of the already existing spirit of enmity. The first of these disturbing elements was the inflow of returning soldiers. Millions of them rushed back to the villages from the battle-front. Practically all of them brought back with them Bolshevist ideas and larger or smaller amounts of ammunition, but very little desire to work. As a result, the number of "eaters" increased, while the land allotted for each "eater" correspondingly decreased. The question of the number of "eaters" was rendered more important by the second disturbing element, the efforts on the part of the Soviet Government to obtain grain; for the food crisis became acute almost from the moment that the Soviet Government came into power.

## 2. *The Food Crisis*

The food crisis began before the March revolution and continued through the first period of the revolution. But it took a very sudden change for the worse as soon as the Bolsheviks came into power. The following figures indicate the situation graphically for one of the principal grain-producing Governments of Central Russia:†

\* Moscow *Russkiya Vedomosti*, February 22, 1918.

† *Prodovolstvennoye Dyelo*, March, 1918.

TABLE No. 1

*Shipments of Grain from the Government of Tambov*  
(In thousands of pouds)

	September	October	November	December	January
1916-17.....	700	2,800	2,050	2,500	5,650
1917-18.....	2,750	1,600	120	115	30

The figure for October, 1917, already indicates unwillingness on the part of the peasants to give up their grain to the Government. That was the last month of the Provisional Government. At the beginning of November the Bolsheviki came into power, and the shipments for November and December, 1917, indicate the hostility, which the peasants showed towards the Soviet régime from the very beginning. The figure for January, 1918, is still more striking, both as indicative of increasing hostility, and in comparison with the figure for the same month of the preceding year: there is, indeed, a colossal difference between the 5,650,000 pouds shipped in January, 1917, and 30,000 pouds shipped in January, 1918.

Other provinces showed the same state of affairs statistically. If the amounts of grain indicated in these figures were all that was shipped, then practically the whole population of the provinces that raise no grain would have died the very first few months of the Bolshevik régime. Apparently these figures tell only one part of the story. They refer to grain actually obtained and shipped by the governmental agencies. But grain found its way into the starving sections of the country in another way.

In the latter part of its régime, the Provisional Government introduced a grain monopoly as one of its measures for fighting the rapidly mounting prices of foodstuffs, which were really changing with a kaleidoscopic rapidity, as we already noted in the chapter on Labor. The Government declared itself the only authorized purchaser of grain and fixed the prices at which grain could be sold. The Bolsheviki took over this system in its entirety, and gradually extended it to include practically all foodstuffs. The result of this measure was that the peasants began to refuse to sell their grain to the governmental agencies, so that the provinces which produce no grain found themselves cut off from their food supply.

As early as the second half of 1917, under the influence of the growing food crisis, there grew up of its own accord a new system of grain distribution: individual peasants and workmen from the starving provinces would go to grain-producing provinces and bring back bags of flour, grain, etc. These men became known as "bagmen"; this was the beginning of one of the most important phases of the system of "spekulyatsia," of which we spoke before. The Government forbade this practice. The "bagmen" were shot on the way, their "bags" were confiscated. And still the practice continued, and greater and greater numbers of people engaged in it.

An investigation was made of the extent of these "bagman" activities in the Government of Kaluga, one of the non-producing provinces of Central Russia, for the period from August 1, 1917, to January 1, 1918. Of the 627 districts covered by the investigation, 94

per cent. imported grain through the agency of the "bagmen," and only six per cent. were able to get along with what they had and with what was furnished by the governmental agencies. On the basis of the figures obtained in the investigation, it appears that during these five months over six hundred thousand trips were made by the "bagmen," while the total population of the province was one and one-half million. Half of these trips were successful, while the other half resulted in the loss of the persons engaged or in the confiscation of the grain they were bringing. While a dangerous occupation, the "bagman" trade was a very lucrative one: the cost of a poud of rye, for example, was, on the average, counting in all expenses, 19 roubles and 40 copecks, while the "free" selling price was about 40 roubles. Now, during this period, the amount of grain brought into the province by the "bagmen" was 3,065,730 pouds, while during the same period the governmental agencies succeeded in bringing into the province only 1,156,000 pouds, or three times less than the "bagmen." In spite of the wastefulness of the process, the "bagman" trade was the only thing that kept the population of the Government of Kaluga from actually starving to death.\*

A similar situation existed in all the provinces which do not raise their own food supplies, as well as in the cities and in the industrial centers. The peasants stubbornly refused to accept the conditions in which they were placed by the maintaining on the part of the Government of the grain monopoly, and the Government

\* *Izvestiya* of the Kaluga Provincial Food Committee, No. 10, quoted in *Moscow Svoboda Rossii*, June 20, 1918.

just as stubbornly refused to give up the monopoly. The result of this was two-fold: the illegal and clandestine "speculative" trade in grain continued to grow in extent and in the increase of its prices; while the activities of the governmental food agencies continued to grow less and less, in spite of the first efforts to apply force for the purpose of obtaining grain from the rural districts.

During the month of March, 1918, the amount of grain expected to be loaded in various parts of Russia for shipment to the fourteen provinces of Central and Northern Russia which comprised the so-called "Moscow Food District," was 10,260 carloads. The amount actually loaded was 2,268 carloads. But seventy-five per cent. of the grain loaded was expected from the Governments of Taurida and Yekaterinoslav in Southern Russia, which were already cut off from Moscow by the German advance. So that the actual shipments to the starving provinces were very small.\*

With every month that went by the situation grew worse. During the month of April, again on the basis of the information for the same area, only fifteen per cent. of the minimum expected was loaded, and again only a small part of it reached its destination. During the first half of May, 1918, only three per cent. of the minimum expected was loaded. As a result of this, the city of Moscow received during the last two weeks in May, only eleven carloads of grain daily, which was five carloads a day less than was needed for a quarter-pound daily ration.†

\* *Bulletin of the Moscow Food District Committee*, No. 10.

† *Moscow Svoboda Rossii*, May 30, 1918.

The conditions in which the government grain monopoly operated are graphically illustrated by the following comparison. The grain loaded for shipment by the governmental food agencies was purchased at "fixed" prices, on the basis of which the price of bread in Petrograd, for example, was "fixed" at 30 copecks a pound. At the same time, the "free" price of bread in Petrograd was fluctuating between five and eight roubles a pound, and the prices for grain paid by the "bagmen" fluctuated accordingly. These figures refer to the beginning of May, 1918.\*

Thus, during the first six months of the Soviet régime, the food crisis was rapidly becoming more and more acute. The Soviet Government made attempts to confiscate grain by force, but usually met with determined resistance on the part of the peasantry. The rifles and even machine guns, as well as the supplies of ammunition, which the returning soldiers brought from the front and were happy enough to exchange for food, now were used by the peasants for the protection of their supplies of food from the government requisitions. Even detachments of Red Guards sent to the villages for the purpose of confiscating food were often met with armed resistance.

At the end of its first six months in power, the Soviet Government took its first really drastic measure for the purpose of solving the food problem. On May 13, 1918, a decree was issued by the All-Russian Executive Committee, providing for a number of measures to be taken in this direction. The food situation, as it then

*Petrograd Novy Den*, May 12, 1918.



presented itself to the Soviet Government, was described in this decree as follows:

The ruinous process of disorganization in the system of food supply, which is the burdensome legacy of the four-year war, continues to grow in extent and intensity. While the Governments which produce no grain are starving, the grain-producing Governments have large supplies of grain, left over from the harvests of 1916 and 1917. This grain is in the hands of the rich peasants and the "kulaki," the village bourgeoisie. Grown very wealthy during the war, well supplied with food now, the village bourgeoisie remains deaf and indifferent to the sufferings of the starving workmen and the poorer peasants. It refuses to bring its supplies of grain to the places designated by the Government in the hope of compelling the State to raise the "fixed" price of grain, at the same time selling its grain to the "bagmen" at fantastically high prices. . . . These acts of violence against the starving poor on the part of the holders of the grain must be answered by acts of violence against the bourgeoisie. Not a single pound of grain must remain in the hands of the present holders, except what is needed for their families and for seed.

With this situation in mind, the Soviet Government ordered in the decree that all grain, held by the peasants above the amounts needed for their own consumption and for seed, be delivered to the governmental food agencies within one week after the publication of the decree, to be paid for at "fixed" prices. All those who refused or failed to obey the decree were to be declared enemies of the people, brought before revolutionary tribunals, punished by imprisonment for not less than ten years, have all their property confiscated, and be forever expelled from the village community.

The poorer elements of the rural population were invited especially to watch over the carrying out of this decree. They were asked specifically to spy on their better-to-do neighbors and to inform the governmental agencies of all cases of violation. For this service a definite reward was offered to them. Paragraph 4 of the decree read as follows:

In case excess supplies of grain are discovered in any one's possession, these supplies must be confiscated without any compensation to the owner, while the amount of the value of the confiscated grain at "fixed" price should be divided into two parts: *one half of this amount should be paid to the person who supplied the information concerning the violation of the decree*, while the other half should be paid out to the village community.

Provision was also made in this decree for the utilization of armed force for the purpose of requisitioning grain, in case resistance should be offered.

### *3. Class War in the Villages*

The decree of May 13 was the first effort on the part of the Soviet Government to introduce class war in the villages and use it as an instrument for the solution of the food problem. However, in spite of the provision for the use of military force, in spite of the severity of the punishments for the violations of the decree and of the universal system of espionage bolstered up by great inducements, the decree did not bring the desired results. A month after the issuing of this decree, another decree was issued, carrying still farther all of the important provisions of the first decree, particularly

as far as the system of espionage and bribery was concerned.

On January 11, 1918, the Soviet Government issued the decree concerning the organization of the "village poverty." In Chapter IV of Part One we had occasion to speak of the elements in the rural population which constitute the stratum known under this name. The decree of June 11 for the first time defined the status of these elements and gave its official sanction to their rôle as the instruments of class war in the villages.

Paragraph 2 of the decree gave a definition of the term "village poverty" from the point of view of legal status. It was provided that in each village and rural community there should be organized committees of poverty. The right of voting for members of these committees and of being elected to the committees was given to all the inhabitants of each community, "with the exception of persons known to be rich or to be 'kulaki,' known to have in their possession excess supplies of grain or other foodstuffs, owners of industrial enterprises, those who employ hired labor, etc." \*

The duties of the committees of poverty, as defined by Paragraph 3 of the decree, were to be two-fold: in the first place they were to have jurisdiction over the distribution of the grain, the articles of prime necessity, and the agricultural implements supplied by the governmental agencies to the community in which they were operating; and in the second place, they were to assist the local governmental agencies in extracting the excess stocks of grain from the peasants who still had

\* The disqualifications for suffrage given in quotations are in the exact wording of this amazing provision.

them. The first set of duties was, of course, really a set of prerogatives which could be used by the committees of poverty in the carrying out of their second set of duties. This weapon in their hands was rendered still more powerful by Paragraph 4, which provided that the categories of persons to whom the distribution of grain, articles of prime necessity, and agricultural machinery, placed in the jurisdiction of the committees of poverty, should be made, were to be left entirely at the discretion of the committees themselves.

The object of the decree was to get grain from the villages. The following inducements were offered to the committees of poverty by Paragraphs 8, 9, and 10:

In those localities, in which all the excess supplies of grain would be extracted from the hand of the peasants holding them by July 15, 1918, the committees of poverty would receive for distribution among the poor enough grain to constitute the existing individual norm, free of charge. All the articles of prime necessity and the simple agricultural implements would be delivered to such communities at 50 per cent. of the set price. In the localities, in which this process of extraction of grain would not be completed until August 15, the "village poverty" would have to pay for its supply of grain at the rate of 50 per cent. of the "fixed" price, while the articles of prime necessity and the agricultural implements would be delivered with a reduction of only 25 per cent. Finally, in the localities where the process would not be completed until the end of August, the reduction in the price of grain would be only 20 per cent., and in the price of articles of prime necessity and agricultural implements, 15 per cent.

The larger and complicated agricultural machinery and implements, needed for group agriculture, were also to be placed at the disposal of the committees of poverty, at prices fixed by the state, which would vary in accordance with the zeal and the energy shown by the committee in each locality in the work of obtaining the excess supplies of grain.

Neither of these decrees, however, gave any tangible results. The total amount of grain obtained for distribution by the governmental agencies during the first half of 1918 was twenty-eight million pouds. The total amount obtained during the second half of the year, when both of the decrees were in full operation, was sixty-seven million pouds.\* But the difference represents merely the normal difference between the first half of a year and the second, with probably, in view of the severity of the methods adopted, a slight increase as against what might have been expected without such measures. And when we consider the fact that the territory for which this grain was obtained normally required the bringing in from other parts of the country of something like five hundred million pouds (a very conservative estimate), we can see the appalling nature of the situation, when viewed only from the point of view of the governmental food distributing agencies, operating under the system of grain monopoly.

But even aside from the questions arising out of the financial difficulties raised by the grain monopoly, there is no doubt that the amount of grain actually in the hands of the peasantry and available either for requi-

\* These figures are taken from Lenin's article on the food situation, dated January 26, 1919, and published in the *Moscow Pravda*.

sition by the government or for sale to the "bagmen" has never been sufficient to cover the actual needs. The decrees of May 13 and June 11 were built upon the supposition that there were large supplies of grain left over from the crops of 1917 in the hands of the peasantry. This supposition, however, had scarcely any basis in the facts of the situation. At a conference of representatives of the various food agencies in the northern Governments of Russia, held in Petrograd early in 1918, it was estimated that the total excess supplies of grain for the year 1917 for the whole country was between 520 and 560 million pouds. This estimate was based upon the available crop reports for the year and a calculation of consumption at the average rate of three-quarters of a pound of baked bread a day. But the supplies in the Caucasus and in Siberia were inaccessible, which left only 320 million pouds. Over sixty per cent. of this grain was located in South Russia, which was under German occupation most of 1918; therefore, also inaccessible.\* Thus, the total possible excess supplies of grain, left over from the crops of 1917, was 130 million pouds. The actual supplies, of course, were infinitely less; for one thing, because the peasant consumption during the first revolutionary year increased very considerably. In other words, in the provinces under the control of the Soviet Government in 1918, there could not possibly have been any supplies of grain left over from the preceding year that would have made an appreciable difference in the situation.

As for the year 1918, itself, its total grain produc-

\* Petrograd *Novy Den*, April 10, 1918.



tion in the territory controlled by the Soviet Government was very much less than in 1917. According to an official estimate, the area left unsown during the year 1918 was no less than four million desiatinas.\* This estimate is admitted to be very rough and, most probably, very much under the actual figure.

But, while the decrees of May 13 and June 11 were not in any measure successful as means of obtaining grain from the peasants, these decrees were more than successful in inaugurating a period of bitter class war in the villages. These decrees, particularly the one of June 11, made the "village poverty" virtually masters of the situation, so far as the life of the rural population was concerned. The two other classes of peasant population, the rich peasantry, and the middle peasantry, i. e., the vast bulk of the peasant population, found themselves entirely at the mercy of their inveterate enemy, the lazy and the shiftless, the latter embittered, moreover, by the fact that the hard-working and industrious bulk of the peasant population had been all the time well supplied with food, while the "poverty" was not. The class war, which was during the first months of the Soviet régime confined mostly to the cities, now passed definitely into the rural districts, and found expression in a large number of armed clashes, particularly between the "village poverty" and the middle peasantry.

Since the committees of poverty were really governmental administrative institutions, the clashes between them and the bulk of the peasant population necessarily

\* Report of the Commissar of Agriculture, Sereda, to the Central Executive Committee, Moscow *Izvestiya*. February 12, 1919.

took the form of peasant uprisings. Hundreds of such uprisings took place all through the territory controlled by the Soviet Government during 1918. They had to be put down by force, and detachments of Red Guards, particularly the Letts, were detailed for this duty. The situation finally became so bad, that even the Soviet Government itself became alarmed at the results of its official sanction of the class war in the villages. It began to make efforts to liquidate these results by placating the middle peasantry, i. e., the really basic element of the agricultural population. The Soviet Government realized that, while it was important to extract from the hands of the richer peasants whatever supplies of grain they still concealed, through the instrumentality of the "village poverty," the class war that this had brought about now threatened to cut at the very foundation of the whole agricultural life of the country: the class war, by arousing the ire and the bitter enmity of the middle peasantry, was rapidly making for a still greater contraction of the sowing area.

The first attempt to liquidate the effects of the decree of June 11 was an official circular order, issued by the Soviet Government in the fall of 1918, explaining the significance of the original decree and interpreting it as far as its application to the middle peasantry was concerned. This circular order began as follows:

Information received from various parts of the country concerning the manner in which the committees of poverty are being organized, indicates that in many cases the interests of the middle peasantry are violated. The organization of the "poverty" is taken in many localities to mean that

the "village poverty" should be opposed to the rest of the peasantry, i.e., both to the rich peasants and the middle peasants.

Then followed a solemn affirmation on the part of the Soviet Government to the effect that it never intended to conduct a war against the middle peasantry; that, on the contrary, it had always believed that the introduction of Socialism was possible only through a union between the workmen and the peasants. All the local governmental institutions (including, of course, the committees of poverty) were ordered to bring their activities into correspondence with the general policy of the central authority. The committees of poverty were ordered to be "the revolutionary organs of the whole of the peasantry against the former landowners, the rich 'kulaki,' the merchants and the priests, and not merely the organs of the rural proletariat to be used as instruments of repression against the rest of the rural population." As the first step in this direction, the suffrage provisions of the amazing Paragraph 2 of the decree of June 11 were officially interpreted to cover the middle peasantry, which was invited to participate in the work of the committees of poverty.

The mischief done by six months of the officially sanctioned class war in the villages could not be repaired so easily. The food crisis continued to be acute, and was expected to grow worse during the first half of 1919 than it ever was in 1918.\* The liquidation of the class war and the food crisis called for more important and extensive measures. First of all it was necessary, of course, to look to the organization of

\* Lenin's article in the Moscow *Pravda*, quoted above.

agricultural production, thrown into a state of utter chaos by the events of 1918. The plan of agrarian arrangement, put forth in the form of the decree of February 14, 1919 (which we discussed in detail in Chapter IV of Part One), was the most important of these measures. But the success of this measure or of any attempt at a reorganization of agricultural production depended entirely upon the attitude and the response of the great masses of the peasantry, the agricultural producers, or using the terminology of the Bolshevik classification, the middle peasantry.

#### 4. *The Middle Peasantry*

The situation which existed in the villages, from the point of view of the attitude of the different elements among the peasants toward the events that were transpiring, may be seen very clearly from a number of interesting documents published in the Soviet press at the time of the promulgation of the decree of February 14. In the Moscow *Izvestiya* of February 2, 1919, there appeared a letter signed by G. Gulov, and written, according to the editorial note which accompanied it, by a peasant. This letter purported to give the general views of the peasants, particularly of the poorer and the middle classes.

The position of the "village poverty" was presented in this letter as very difficult, because in spite of the assistance on the part of the Soviet Government, the poorer peasants still could not organize their life on a rational basis. The governmental subsidy was given in money, with which, however, it was almost impossible

to purchase any of the things that the peasants need in order to start in agriculture.

The position of the middle peasantry, on the other hand, was represented as being potentially much better, because practically the whole technical equipment in the form of implements, live stock, etc., was in their hands. But their attitude toward the Soviet Government was one of hostility. They complained that they were being classed together with the richer classes for purposes of persecution on the part of the poorer classes, yet ordered to work together with these same poorer classes when it came to actual agricultural work. Moreover, there was an almost universally spread notion among the middle peasantry that there was a strong division of opinion among the Communist leaders as to their views on the middle peasantry. The peasants in many localities were certain that Lenin was for them, considering them friends of the Soviet Government, while Trotsky was against them and was organizing the Red Army for the purpose of conducting a war against the middle peasantry.

Whether or not this letter was really written by a peasant or was merely an agitation device, it served as an excellent opportunity for the Soviet leaders to address appeals to the middle peasantry. Such appeals were published in the form of two open letters, addressed to the peasantry, one signed by Lenin, and the other by Trotsky, which were followed by numerous articles by the most prominent of the Soviet publicists.

Lenin's letter,\* denying, of course, the existence of any difference of opinion between him and Trotsky,

\* Published in Moscow *Izvestiya*, February 15, 1919.

defined very concisely the attitude of the Soviet Government toward the various elements among the peasantry:

There has not been a single decree or order issued by the Soviet Government, in which a difference would not be made among the three groups of the peasantry. The first group is the "village poverty" (the proletarians and the semi-proletarians, as they say in the science of economics). This group is very numerous. When the capitalists and the landowners were in power, the largest burden of their oppression had to be borne by the poor. In all the countries of the world, the best support of the Socialist movement is found in the workmen and the village poor. The second group consists of the "kulaki," i.e., the rich peasants, who exploit other men's labor, either by hiring labor or by lending money at high interest, or in any other way. This group is entirely with the landowners and the capitalists, with the enemies of the working class. The third group is the middle peasantry. They are not the enemies of the Soviet Government. They can be our friends, and that is what we are striving for.

Further on in his letter, Lenin took up the various complaints which came from the middle peasantry from all over the country. The first group of complaints was concerned with the "excessively formalistic, non-democratic and in many cases simply impermissible attitude of the local administrative institutions toward the middle peasantry." Lenin promised to remove the causes of these complaints, explaining that it is very difficult for the central authority to control the local administrative bodies, especially when they are far away from the center of Government.

The second set of complaints was concerned with the question of the grain monopoly. On this point Lenin



assured the peasants that the Soviet Government would not give up its position, that "free" trade in grain would not be permitted, because such trade would simply lead to the enrichment of a few at the expense of many. But he urged upon the peasants that they should consider it their duty to give up to the governmental agencies charged with the task of gathering food supplies whatever excess supplies they had at the prices set by the Soviet Government.

Trotsky's letter,\* written in his characteristic style, full of such expressions as "liars," "scoundrels," "traitors," "fools," etc., addressed to the opponents of the Soviet régime, also assured the peasants that there was no difference of opinion between him and Lenin or, for that matter, among any leaders of the Communist Party, when it came to their attitude toward the peasantry. Trotsky defined the middle peasantry as the group "standing between the 'kulaki' and the poverty, with its one wing adjoining the proletariat, with its other merging with the bourgeoisie." Under normal conditions, the middle peasantry ought to be a friend of the Soviet Government. For, while the Soviet Government was and always will be in favor of the Communistic system of agriculture, it "*does not compel and never intends to compel* (Trotsky's own italics) the middle peasantry to change to the Communistic forms of land tilling."

As for the reports that the Red Army was recruited for the purpose of fighting the middle peasantry, Trotsky assured the peasants that "such statements could be made only by idiots or by scoundrels." While it

\* Published in Moscow *Izvestiya*, February 7, 1919.

was true that in some of their actions the separate detachments of the Red Army did hurt the interests of the middle peasantry, but that was due to lack of discipline, not to policy on the part of the Government or of the leaders.

In their letters, the two chief leaders of Communism and the guiding spirits of the Soviet régime appealed to the middle peasantry to support the Soviet Government. Taken in conjunction with the decree of February 14 and with the dozens of articles that were devoted to the subject in the whole Soviet press for weeks after that, these letters constitute the most elaborate scheme of agitation ever used for any one purpose by the Soviet régime.

In this mass of documents there was one that deserves special attention. It was a reply to Gulov's letter, also presumably written by a peasant, discussing some of the phases of the attitude of the middle peasantry toward the question of the communes and other forms of the Communistic agrarian scheme, already in existence to some extent long before the decree of February 14, 1919. The author of this letter\* was inclined to discount the lack of technical equipment as the cause which prevented the peasantry from organizing the rural communes on a larger scale. He thought that the reasons were much deeper and lay in the psychology of the people. He said:

Whenever I have occasion to discuss the question of the communes with the peasants, I hear the same replies: "How will I go into the commune with Peter or with Ivan, when they have nothing at all, while I have my farm all fixed up?"

\* V. Sarykin, Moscow *Izvestiya*, February 9, 1919.

And besides, I am a hard worker and will do my work anywhere, and they did not want to work even for themselves when they had a chance, how will they work for the commune? I and people like me will have to do the whole work ourselves." Some would say to me: "Father and son cannot get along together, but divide up their property. How are strangers going to get along?" And almost everywhere I hear: "We shall agree to anything. We are ready to support the Bolsheviki. Only *do not 'put' us into communes.*"

When the attitude toward the communes was such, that joining them seemed to the middle peasantry almost like being put into prison, there is little wonder that the agrarian Communistic forms took no root among the hard-working middle peasantry. What these forms are we already saw in Part One, as well as some of the general results of the attempts to introduce them. Presently we shall come to a number of very interesting and characteristic details of the process.

### *5. The Village Against the City*

In a speech on the food situation, delivered on January 17, 1919, at a united meeting of the All-Russian Executive Committee, the Moscow Soviet, and the All-Russian Congress of Trade Unions, Lenin spoke of the food supply policy of the Soviet Government as having passed through three stages of development. The first stage was the organization of the "village poverty" for the purpose of extracting the excess supplies of grain; the second stage was the utilization of the coöperative organizations for the purpose of obtaining grain from the villages; the third stage, at that time still in the process of organization, was the system of food detach-

ments, sent from the cities to the rural districts for the purpose of requisitioning the excess supplies of grain from the peasants.\*

The first of these stages was an attempt to utilize the forces available for the work of obtaining grain in the midst of the rural population itself. What the results of these attempts were, we have already seen.

The second stage was an attempt to use the intermediary of a purchasing organization in the hope that in this way the hostility shown by the peasants toward the governmental agencies in the matter of giving up their excess supplies of grain would be eliminated. In August, 1918, when, on top of the provisions made in the decrees of May 13 and June 11, the Soviet Government, by another decree, made it compulsory for the peasants to sell at "fixed" prices all their available supplies of grain above set norms of consumption and seed supply, the coöperative organizations were made quasi-governmental institutions of distribution and were included in the number of agencies through which the peasants were obliged to make the prescribed sale.

But these coöperative organizations were still operating in conditions of the government grain monopoly and were subject to all the limitations imposed by it. The leaders of the coöperative movement insisted that it was impossible to introduce any improvement into the situation unless the policy of "fixed" prices was either given up entirely or at least radically modified. In March, 1919, a conference was held in Moscow, which was devoted to this question. S. Maslov, the well-known leader of the coöperative movement, pre-

\* Petrograd *Severnaya Communa*, January 21, 1919.

sented a report to this conference, in which he demonstrated that the whole food supply policy of the Soviet Government, based on "fixed" prices under a government grain monopoly, merely resulted in a progressive decreasing of agricultural production. He and the other representatives of the coöperative movement insisted that the only measure on the part of the central authority that could possibly stimulate agricultural production, was the immediate increase of the "fixed" prices. The representatives of the various departments of government, the Commissariats of Agriculture and Supplies and the Supreme Council of National Economy, who took part in the conference and in the discussions which followed Maslov's report, disagreed entirely with the coöperators and insisted that the government policy was the right one and should be continued.\*

The third stage in the development of the food supply policy of the Soviet Government represents an attempt to make use of a force recruited in the city and directed from it for the purpose of dealing with the problem of obtaining grain in the villages. The system of food detachments by means of which this was to have been carried out began to be built up in 1918, when a decree was issued by the Council of People's Commissaries, empowering large labor organizations, such as unions of railroad workers, etc., factory committees, and municipal and county Soviets to organize and send to the grain-producing provinces special food detachments for the purpose of purchasing grain from the middle

\* Moscow *Izvestiya*, March 4, 1920.

peasantry at "fixed" prices and requisitioning it from the richer peasants.

This decree, however, did not specify the manner in which such detachments should have been organized, nor the methods which they were to pursue in their work. The only features of the plan that were specified in the decree were concerned with the manner of the disposition of the grain obtained and with the question of the responsibility of the detachments for any illegal actions. On the first point it was provided that half of the grain obtained by each food detachment should be shipped to the province from which the detachment was sent and placed there at the disposal of the provincial food distributing agencies, while the other half should be left at the disposal of similar agencies in the province in which the food detachment operated. Concerning the second point, the food detachments were made responsible in their work to the food administration organs of the province from which they were sent. If any detachment attempted to purchase grain at prices higher than the "fixed" prices, or refused to submit to control on the part of the administrative organs to which they were made responsible, or committed any other acts in violation of the decree, the grain which they had gathered could be confiscated by the state, while the leaders of the detachment could be placed on trial before a revolutionary tribunal, charged with counter-revolutionary activities.

Early in 1919 the system of food detachments established by this decree was considerably changed and more definite forms of organization were introduced. The whole system was placed under the control of the



Military Food Supply Bureau, which, in conjunction with the People's Commissariat of Food Supplies, in whose jurisdiction the food detachments originally were, worked out the following rules for the formation and detailing of food detachments:

Each detachment should consist of twenty-five men, one commissar and his assistant. These detachments should be formed by factory committees or Communist party organizations and should consist only of workmen known to be trustworthy. The commissar and his assistant should be confirmed by the local council of trade unions or the local Soviet. After being appointed, the commissar of each detachment should immediately present himself at the local division of the Military Food Supply Bureau, where he is given full instructions concerning the destination and the work of his detachment.

All members of the food detachments continue to be on the payroll of the factory from which they are taken, receiving during the time of their absence wages equal to their average pay. Moreover, upon leaving, each member of the detachment receives money at the rate of fifteen roubles a day for his traveling expenses for ten days. Upon its arrival at the point of destination, the detachment must report to the local Provincial Food Administration, which thenceforward assumes all expenses for the maintenance of the detachment. The period for which a detachment is recruited is three months, and during that time its members are considered to be at the disposal of the Military Food Supply Bureau. They cannot leave their posts of their own accord and must make a report concerning their work at least twice

a month. Two and one-half months after the formation of a food detachment, the factory from which it was recruited must form another detachment, which would be able to take the place of the one finishing its duty.\*

How do the peasants react to this system of obtaining grain? In commenting upon the manner in which the system works, a Soviet writer † states that the majority of the peasantry regards the work of the food detachments in the same manner in which they had formerly regarded the work of the tax collectors. The requisitioning of their excess supplies of grain at "fixed" prices is considered by the peasantry as an even more onerous burden than the oppressive taxes of the Imperial régime. As a result, the peasants "protest strenuously against the requisitioning of the excess supplies by the governmental agencies, and sometimes even rise in revolt against this system of food gathering."

The system of requisitioning as described by the same writer is as follows: the local food administration organs designate a day, upon which the peasants of a given village must deliver to a certain place all their excess supplies of grain. If this order is complied with, then the village receives a paper from the local Executive Committee of the Soviet, certifying to that effect and rendering the village immune from a raid by a food detachment. If, however, the order is not complied with, then the food detachment is sent to the village and does its work of requisition. From his per-

\* Moscow *Izvestiya*, March 4, 1919.

† Klyavs-Klyavin, Petrograd *Pravda*, January 3, 1920.

sonal observation, the writer notes that in many localities the village communities have come to a realization that it is more advisable for them to give up voluntarily the amount asked of them and not wait for the arrival of the food detachments. And he notes, too, that in many places the authorities and the food detachments are displeased, rather than gratified, when villages give up their excess grain voluntarily: they prefer to have the food detachments do their work.

When we turn to the statistics of the food situation, we find Lenin's prediction concerning the expected lack of improvement during the year 1919 fully borne out. Taking the twelve grain-producing provinces under the direct control of the Soviet Government for the year from September, 1918, to September, 1919, we find that the amount of grain actually obtained by the governmental agencies by all the three methods which we have just discussed, was 69,514,000 pouds of food grain, which constituted but 42.5 per cent. of the amount expected by the central Government. If the original official estimate of the amount of grain which these provinces could have furnished over and above what they needed for themselves was correct, then it is clear that the peasants of the provinces in question, in spite of all the drastic and truly terrifying measures taken by the Soviet Government, succeeded in hiding and, most probably, selling to "speculators" at very high prices, at least as much grain as was requisitioned from them by the governmental agencies. And it is more than probable that they concealed much greater amounts. In some of the provinces the amount of grain delivered to the Government was as high as 84

per cent. of the amount demanded; but in some, it fell as low as 21 per cent.\*

By January 1, 1921, only a little over two hundred million pouds of grain and fodder were gathered, instead of four hundred million that the Government expected to get during the preceding season.†

This is the response of the village to the attempts on the part of the Soviet authorities, which the peasants identify with the city generally, to obtain grain from the peasantry on terms prescribed to it by the city.

### 6. *The Basic Paradox*

It was not until after a year had passed since the Soviet régime began its career in Russia, that it began to realize fully the importance of the problem it faced with regard to agricultural production and the peasantry. The vital thing, of course, was agricultural production, for upon it depended the food supply and, therefore, the very life of the country. And yet precisely in this domain of its activities, the Soviet régime found that neither the predictions of the theory nor the hopes of the leaders happened to materialize.

At the beginning of 1919, when the Soviet régime

\* Article by Kiy, *Petrograd Izvestiya*, November 3, 1919.

† *Moscow Bednota*, January 16, 1921. In commenting on the situation, the newspaper says editorially:

"The gathering of grain and fodder should have ended by now. But it is not over. That means that we must continue to work. And here is what that signifies: Over thirty thousand workmen have already been taken into the food detachments. They came from the factories and the foundries. These thirty thousand eat their bread without doing anything. And they cannot get back to work, for the peasants absolutely refuse to give up their allotments of grain until the detachments arrive. And so new thousands have to be added to the thousands already taken away from their work."

definitely gave up its attempts to use class war as an instrument for solving the problems of food supply and agricultural production generally and began making desperate efforts to enlist the friendship of the middle peasantry, the basic paradox of the situation became more apparent than ever before: the status of the peasantry refuses to fit into the class theory. In this regard, the Soviet régime faces the same problem as in regard to the managing and the technical personnel in industry, but on a vastly more fundamental and extensive scale. Lenin expressed this very concisely in his report on the attitude toward the middle peasantry, presented to the Eighth Congress of the Russian Communist Party: \*

The proletariat, taken in its mass, is for Socialism; the bourgeoisie, also taken as a mass, is against Socialism. The relations between these two classes are easy enough to define. But when we deal with a group like the middle peasantry, we find ourselves face to face with a class which has not decided views. A middle peasant is a property owner, as well as a toiler on the land. He does not exploit other workmen. For decades he had felt the oppressive exploitation of the landowners. But at the same time he is himself a property owner.

What is the way out of this paradox? The Communist theory called for the neutralization of the peasantry. But that was, at best, only temporary. The way events shaped themselves in Russia after the Soviet régime came into power, the neutralization went to pieces on the rocks of the state grain monopoly and the consequent contraction of agricultural production

\* Petrograd *Pravda*, April 5, 1919.

and the food crisis. That was the first experience of the Soviet régime with the peasantry. It did not lead out of the paradox, but deeper into it.

The second experience was the class war, the pitting of the "village poverty" against the rest of the peasantry. But the "village poverty" proved to be a poor ally for the Soviet régime from the point of view of agricultural production. At best, it could be used only for administrative work, as a sort of local police. Moreover, an interesting thing happened in the course of the class war in the villages. While formally masters of the situation in the villages, the committees of poverty in reality found themselves powerless in the face of the passive resistance on the part of the bulk of the peasant population. The poorer peasant elements found out soon enough that they were no match economically for the hard-working masses of the middle peasantry. And in the natural course of events, instead of inculcating a proletarian psychology in the masses of the peasantry, as had been expected of them by the Communist leaders, the "village poverty" became gradually assimilated with the middle peasantry, acquiring its psychology. Through the persecutions, the hardships, and the embitterment of the class war, the middle peasantry has come out victorious, and now as never before holds the power in the rural life of Russia. The village has now become what might be justly characterized as "the kingdom of the middle peasantry," imbued with a purely bourgeois psychology.\*

In this "kingdom of the middle peasantry" there is

\* This conclusion is stated frankly by N. Ossinsky, a Soviet economist, in *Moscow Pravda*, September 5, 1920.



no room for the Communistic agrarian forms, which the Soviet régime attempts to introduce by means of the decree of February 14, 1919. The Soviet leaders now frankly admit that the peasants "have decidedly rejected the rural commune," and have proven to be "very indifferent toward Socialism." \* The only form of collective agriculture that the peasants accept is that of the agricultural associations of various types. The following figures show the situation in this regard for several provinces:

TABLE NO. 2

*A. The Agricultural Collectives in the Government of  
Ivanovo-Voznesensk †*

	December 1, 1919			April 1, 1920		
	No. of units	No. of "eaters"	No. of desiatin	No. of units	No. of "eaters"	No. of desiatin.
Communes	45	1,473	3,044	32	1,269	2,547½
Associations	197	21,144	2,898½	274	29,762	6,654½
Total	242	22,617	5,942½	308	31,031	9,202

*B. The Agricultural Collectives in the Government of  
Tambov ‡*

	Communes	Associations
January 1, 1919 .....	20	59
April " " .....	48	169
January 1, 1920 .....	43	192
April " " .....	33	295

Both parts of Table No. 2 indicate a definite tendency towards a decrease of the communes and the

\* Moscow *Pravda*, September 5, 1920.

† *Ekonomicheskaya Zhisn*, June 3, 1920.

‡ *Ibid.*, May 27, 1920.

increase of the agricultural associations. They are both representative of the situation for the whole country, since Part A may be taken as indicative of the situation in the provinces which are not classified as grain-producing, while Part B is similarly indicative of the situation in the grain-producing provinces. But even with the increase of the number of associations, the progress of large-scale agricultural production is very slow.

The productivity of the Soviet estates and of the agricultural collectives is higher, as a general thing, than that obtained by the individual farmers. The relative ratio for a typical province may be seen from the following:

TABLE No. 3  
*Crops in the Government of Smolensk* ■  
Spring, 1920

	Rye	Oats	Barley
Individual Peasant .....	100	100	100
Agricultural Collectives .....	142	121	112
Soviet Estates .....	165	120	150

And yet these figures do not indicate anything that might serve as an inducement for individual peasant-farmers to change from their present methods to those of collective work. In the report from which the figures in Table No. 3 are taken, we find the statement that all of the Soviet estates and most of the collectives are on land that formerly constituted large estates. In other words, the system of providing the Communistic agrarian forms with the best land had been carried out

■ *Ekonomicheskaya Zhizn*, July 7, 1920.

in the Government of Smolensk. Normally, according to the report we are quoting, the crops on the estates were over 50 per cent. larger than on the peasant land in the vicinity. Taking this into account, the ratio between the crops of the individual peasants and the collectives is not in favor of the latter; while a similar ratio between the crops of the individual peasants and the Soviet estates, which are located on the very best land, shows that the latter are scarcely able to hold their own, when judged by the pre-revolutionary standards of production.

And the peasants are, apparently, quick enough to recognize this fact. In the Government of Tver, for example, at the beginning of 1920, there were 137 communes and 190 associations, with a total of 12,000 "eaters" and 28,386 desiatinas of land.\* For purposes of determining relative productivity, the report from which these figures are taken compares the production of these communes and associations with that of a district, in which there are no collectives, and which has a population of 11,000 "eaters." The crops gathered by the district are scarcely sufficient to feed the population for ten months of the year, while those gathered by the collectives provide for their own members and even have an excess supply. The report states that the attitude of the rank and file of the peasantry towards the collectives is "inimical, *particularly towards those which are located on the former large estates.*"

It is obvious, therefore, that the attempts at the introduction of the Communistic or quasi-Communistic

\* *Ekonomicheskaya Zhisn*, January 11, 1920.

agrarian forms also do not lead out of the paradox, but, if anywhere, still deeper into it. For the agricultural associations are but a very small step nearer to Communism in agriculture than the system of individual holdings.

Moreover, considering the relative quality of land allotted to each form of agriculture and considering also the extent of governmental aid to the Communistic and quasi-Communistic agrarian forms, it is a matter of great doubt which form, the collective or the individual, has greater advantages from the point of view of agricultural production, when judged on the basis of the figures officially published. Thus, coupled with the basic paradox, the agricultural situation still presents for the Soviet régime the dilemma it has faced since the very beginning, viz., how to get agricultural production and consequently food supplies for the cities and the non-grain-producing provinces, preserving at the same time the system of grain monopoly and "fixed" prices.

In this respect, just as with the question of labor in the industrial life of the country, the Soviet régime finds itself in a tight corner. And here, too, the only way out of the immediate difficulty that presents itself to the leaders of the Soviet régime, is compulsion.

### *7. War Against the Peasantry*

Of course, methods of compulsion had been applied by the Soviet régime to the peasantry all through the last three years. But they were all concerned with the task of obtaining grain. No systematic or organized

attempt was made to apply compulsion to agricultural production itself. On the contrary, as we saw above, Trotsky even solemnly promised the middle peasantry at the beginning of 1919 that the Soviet régime would never attempt to force them into forms of work which were not acceptable to them.

However, all through the first half of 1920, the Soviet régime was testing out in several ways the possibility of applying compulsion to the field of agricultural production. Some of the problems of pressing importance which the Soviet régime faces in this field have been summarized as follows by a Soviet economist: \*

In order to escape requisitions, the middle peasants in many localities plant grass and other crops unfit for human consumption, instead of food grains. They make every effort to reduce the area under cultivation, sowing only what they require for themselves, expecting, in case of need, to receive supplementary quantities from the Government. They sell the horses they have in the autumn, attempting, in that way, to evade labor duty, and then dispose of whatever fodder they have to "speculators."

The most important element in the situation, of course, is the contraction of the sowing area. One of the factors that has played a considerable rôle in this has been the peasant practice of redividing land every once in a while by communities. In 1919 the Soviet Government attempted to regulate this by issuing a decree, dated June 28, 1919, in which it was declared "undesirable in principle" that such redistributions

\* N. Ossinsky, *loc. cit.*

should be made at frequent intervals, especially in those localities where a division had taken place in 1918. This decree had no effect, and on April 30, 1920, the Soviet Government issued another decree, in a tone of much greater sternness, this time forbidding all redistribution of land, except by permission of the proper authorities. This last decree was supplemented by another one, issued July 4, 1920, which forbade the cutting up of lands with intensive or well organized cultivation, even when the peasants using that land have larger per capita allowance than is the average for the given territory, provided, however, that they have enough manpower with which to work these lands.\* The increasing firmness in the tone of the succeeding decrees dealing with this question indicates the manner in which the Soviet Government has been trying out its ability to apply compulsion to agricultural production.

In the spring of 1920 attempts were made locally to forestall the tendency on the part of the peasantry to keep the area under cultivation as small as possible. In the Government of Tula practically all the spring sowing was done under the direct supervision of the Soviet authorities and the results of this are considered by Soviet experts to be very good.†

On the basis of this and similar experiments, the Soviet Government decided to make a systematic effort to force the peasantry to enlarge the area under cultivation during the winter grain season of 1920. A special order was issued, signed by Lenin and by

\* *Ekonomicheskaya Zhizn*, July 2, 1920.

† N. Ossinsky, loc. cit.



Briukhanov, the Commissary of Food Supply, containing specific instructions to local authorities and provisions for drastic measures against those peasants who refuse obedience.\*

This order was rendered practically necessary by the fact that almost the whole territory of Soviet Russia had very poor summer crops on account of practically universal droughts. The situation in this regard had become so desperate in some of the provinces of Central Russia that early last summer an epidemic of migration began. Thousands of peasants were reported as leaving their homes and moving into the grain-producing provinces, in many instances in wagons or even on foot.† The Soviet Government took strict measures to prevent these migrations, and followed up these and other measures by the plan of compulsory sowing of the winter grains.

Under this plan, the sowing of the *whole* area suitable for winter grains was proclaimed to be a measure of military necessity. In order to provide enough seed, "all the remaining winter grain, still kept in the hands of the peasantry, for whatever purpose, should be taken over for seed, . . . and not one poud of rye should be used for food, until the seed requirements of each family are satisfied." Those who have no seed, should receive the necessary amounts from the Government Seed Fund, to be returned in grain with a twelve per cent. increment during the following year. The whole new crop of winter grain must be used, first of all, for providing the necessary seed for the next sow-

\* Petrograd *Pravda*, August 7, 1920.

† *Ekonomicheskaya Zhizn*, June 15, 1920.

ing. Only the amounts remaining can be turned over into food stocks.

Any peasant who, for any reason whatever, fails to sow the entire area in his possession suitable for winter grains, will have his land taken away from him and turned over to the community. Any person, receiving grain for seed and using it for any other purpose, may be punished by the confiscation of his property and by compulsory labor.

This drastic decree is the beginning of a new policy on the part of the Soviet régime with regard to peasantry and the agricultural production controlled by it. With regard to the first, it means a full-fledged war against them. With regard to the second, it means, in the words of the economist whom we have already quoted,\* "compulsory interference on the part of the Government and compulsory mass organization of production."

The Eighth Congress of Soviets, held in December, 1920, made a very important step in this direction, by approving a decree for the state-wide organization of sowing under the immediate supervision of the governmental agencies.

The Soviet Government now sets before itself the task of introducing into agricultural production the same system of militarization that it has already introduced in industrial production. It is even expected that a system of premiums for larger productivity will be introduced in agricultural production, as it is being used in the industries. A peasant would become sub-

\* N. Ossinsky, *loc. cit.*

ject to universal labor service and to conscription and mobilization at the will of the state in the same manner as an industrial workman. Forms will no longer count, for the whole country would become a unified "agricultural factory."

## CONCLUSION

### SUMMARY OF THE SITUATION BY THE END OF 1920

Now that we have examined the salient features of the situation in Russia resulting from her three years' experiment in the economics of Communism, we can retrace our steps and reconstruct in general outlines the process through which all this has come about.

It is generally admitted and it is, no doubt, true that Bolshevism in Russia, which has taken the shape of her experiment in Communism, is the direct outcome of the world war. The years of the war have produced widespread and deep-rooted effects upon the life of the world. Particularly telling have these effects been in the domain of man's economic life. The manifestations of these effects are universal and familiar enough: labor unrest, contraction of production, rise in prices, profiteering, etc.; in short, an economic crisis of unusual extent and intensity. Described in terms of a thinker who would be classified to-day as a conservative, this crisis means, essentially, the reaction to the demoralization produced by the war. Described in terms of a Socialistic thinker, the crisis is the expression of a preponderance of consumption social psychology over production social psychology, instead of *vice versa* as in normal times. Finally, described in terms of a Com-

munist thinker, the crisis is, fundamentally, the breaking down of the economic relationships of social life. These three definitions mean practically the same thing, although the last one is, probably, the most precise.

However it is defined, the important thing about the economic crisis produced by the war is that it unmistakably exists. The problem before mankind is how to overcome it. It is in the approach to this problem that really lies the key to the whole economic situation of the world as it was left by the war and has been affected by the post-war period. Each of the active social groups in various countries has its own point of view and its own approach.

Among the non-Socialist groups, the reactionary wing approaches the problem of reconstruction trying to forget that there ever was such a thing as the world war. All that this group desires is to return things to where they were before 1914. The liberal wing realizes that it is impossible to strike the war out of human experience any more than it is possible to strike it out of history. Hence the effects of the war must be taken into account as factors, determining to a certain degree the principles and the work of economic reconstruction. New forms and new ways are necessary; many of the old methods will no longer work. The moderate labor and Socialist groups also believe that reconstruction is possible if certain correctives are introduced into the situation in order to compensate for those factors which must be given up. The more radical among them press a rather large program of change, both along economic and political lines. All the countries of Western

Europe present, in one form or another, in higher or lower degree, an attempt to put through as large as possible a program of social reconstruction, while repairing the economic damage done by the war.

All these groups differ, sometimes very radically and very belligerently, in the methods to be applied and, particularly, in the scale with which they measure what each of them regards as the irreducible minimum of change. In these differences lie the most fundamental causes of the slowness with which the process of reconstruction is proceeding in war-torn Europe. But in one thing all these groups agree: the economic relationships, shattered or impaired by the war, must be restored and reestablished. Until the war brought on the economic crisis through which the world is now passing, the life of the world was organized in such a way that its productive activities were approximately in correspondence with its consumption requirements, based on the maintenance of a certain standard of life, and the connection between the two basic processes was furnished by a system of distribution, adequately organized for the maintenance of that standard. This organization was based on a definite system of economic relationships in each of its domains. It was not perfect or even the best that was possible under the circumstances. It was, undoubtedly, wasteful in many of its processes, unjust in many of its relationships. But such as it was, it was the product of centuries of human endeavor and progress, and the basis for further endeavor and future progress.

The war, by putting an unprecedented strain upon this economic organization of human society, impaired



the balance that existed before it broke out. It increased disproportionately the number of individuals who were solely consumers, both as soldiers and as producers of goods designed for destruction. It correspondingly diminished the number of producers of goods designed for consumption. What was most important of all, perhaps, it introduced a false financial standard through the process of inflation, creating many economically unreal values in the form of rapidly increasing wages and prices. In short, it produced a psychology based on standards of consumption, which were out of correspondence with the actual extent of production. This, in turn, resulted inevitably in the impairment of important economic relationships.

All the groups that we have enumerated, in their approach to the problem of reconstruction, lay particular emphasis on the possibility and the necessity of restoring these impaired or shattered relationships, since the alternative is a lowering of pre-war standards and the consequent regress of society. They believe that every effort should be made to stop a further disintegration of these relationships, even if they differ in the methods by which this can be effected.

The Communists in their approach to the problem take a position which is diametrically opposed to that which we have just stated. To them the war and the crisis which it had brought in its wake are not merely a misfortune that had befallen mankind, but an opportunity. They do not wish to see the old economic relationships "patched up." On the contrary, they want the disintegration to go on, until the whole economic structure of society would crash to the ground. Into

the psychology of labor produced by the reaction of the war, the Communists introduce the active agent of their propaganda. Without it, sheer force of inertia may carry the working masses through the crisis produced by the war and gradually lead to the restoration of the economic relationships for which all the non-Communist groups are working, energetically, even if not in unison. With the active agent of Communism injected into the situation, the crisis should extend into a collapse, and then the field would be open for that experiment in new forms, which the Communists so ardently desire and for which they work so fanatically.

So much we know from the general theory of Communism, as its law is being laid down by its leaders. But we have before us also the results of their experiment in Russia, which is, no doubt, a test or, at least, a valuable demonstration of what happens when the disintegration of the economic relationships of human society is actively stimulated.

The war and the revolution produced in Russia a double process of disintegration in social relationships. In the first place, the economic relationships were impaired by the war and shattered still further by the revolution; and in the second place, the political relationships of the first period of the war were shattered altogether by the revolution and new relationships substituted for them in the form of the Provisional Government and the system it represented. The task which the elements behind the Provisional Government set before themselves was two-fold: the strengthening of the new political relationships brought about by the revolution, and the restoration of the economic rela-

tionships impaired by both the war and the revolution. The Communists or Bolsheviki, in opposition to these elements, were working actively for the introduction into the condition of the economic relationships of similar revolutionary methods as those that were applied by the March revolution in the case of the political relationships, i. e., an active and energetic stimulation of their disintegration. Through the weakness of their opponents, rather than through their own strength, they succeeded in this, and the field was open for their experiment.

The plan of campaign which they followed, unconsciously, perhaps, for it was not until much later on that the leaders of Communism actually described it, was to concentrate all their efforts on industrial production, leaving agricultural production undisturbed as far as possible. The former was, thus, in the subsequent formulation of the leaders of Communism, to be the battle-front of the social revolution, while the latter was to be the supply base. Victory for Communism was to be won in industrial production through the substitution of new economic relationships for the old. The nationalization of industry and the centralization of control over it in the hands of the Government, would transform the whole industrial life of the country into one huge factory, in which every person at work, from top to bottom, would be an employee of the state. Thus, private ownership of the means of production and the system of profits would be eliminated in industrial production, each employee of the state being, according to original theory, paid alike, and mechanical equality being thus introduced.

In agriculture a different procedure was considered necessary. There, neither ownership of the means of production, nor the system of profits were to be eliminated. Only the land should be taken out of private hands as property, and allotted among those who work on it. The technical equipment was to be left in the hands of individuals, and the product could be, theoretically, sold by the individual as his.

Thus, the forms of productive activities were not considered essential or vital to the success of the Communist experiment at its first stages. The real power of the group conducting the experiment and consequently controlling the situation was to be in its control over the instrument of distribution. If things worked smoothly, if all the employees of the nationalized industry performed their duties at least with the same degree of willingness and productivity as they had done before, if the peasants were willing to place the product of agricultural production in the hands of the Government as the sole distributing agency in return for the manufactured goods, for which the Government would also have been the sole distributing agency, then, obviously, conditions would have been ideal for the success of the experiment. But things did not work out that way.

In the first place, industrial production broke down. That was expected on the basis of the theory, though, undoubtedly, not to the extent to which it actually occurred. Actively stimulated towards a disintegration, the elements which constituted the economic relationships that were being destroyed and which had to serve again as elements of the economic relationships

that were being created by Communism, continued to tend to a negative, rather than a positive attitude toward production, after the disintegration was actually consummated. The most powerful means of coercion over them that the Government had was the control of their supply of food and of other essentials of life. But that meant a favorable attitude on the part of the peasantry.

As we saw from the data of the food crisis, the attitude of the peasantry was anything but favorable: the chief reason for this was the maintenance of the government grain monopoly. The price of grain set by the Government was, undoubtedly, too low at the very beginning to be acceptable to the peasantry. At that time, the Soviet Government was not, as yet, as lavish with its interminable supply of paper money as it became later on. Instead of increasing the "fixed" price of grain, it attempted to force the peasantry to give up its grain at the low price. The result of that was, on the one hand, a constantly growing resentment on the part of the peasantry, and on the other hand, the glaring failure on the part of the Government to control the actual distribution of the food supply of the country.

With control over the distribution of food actually taken out of its hands and consequently inaccessible to it as a means of coercion in industrial production, the Soviet Government at first resorted to paper-money generosity. First, it increased the salaries paid to specialists, managers, etc., giving up definitely the ideas of mechanical equality. Then it divided the population of the cities and industrial centers into groups accord-



ing to certain privileges, particularly the amount of food received. Then it singled out the army and the personnel of the Government and placed them into conditions of higher privilege than any other group of the population. In this manner, it succeeded in terrorizing the masses of the city population and creating out of the army and the government officialdom groups whose well-being and privileged condition depended upon the preservation of the existing régime and which would, through personal interest, be loyal to the régime. In this manner, for one thing, it was possible for the Soviet Government to apply methods of mass terror for crushing all opposition: it had a privileged force, bribed by its privilege to remain loyal and obedient.

Moreover, without recognizing or officially even taking notice of that illegal "free" trade which took the form of "spekulyatsia," the Soviet Government was, nevertheless, forced to take it into account as the most important factor in the determination of the paper-money wages which were to be paid to labor. There is no doubt that the institution of "spekulyatsia" is the most glaring of all contradictions of the Soviet régime.

But in spite of all this, the economic relationships which were essential to production obstinately refused to form themselves into the configurations prescribed by the Communist theory as the bases of production in the domain of both industry and agriculture. As we have seen, all the manifestations of the economic crisis that have become familiar to the other countries of the world exist in Soviet Russia, only magnified many-fold. And in the final analysis, the reason for that lies not so much with the process of production, as



with the process of distribution. Take for example such a vital industry as transportation. It is admittedly disorganized. The rehabilitation of its rolling stock, which, alone, can lessen the disorganization, is a problem in industrial production. But industrial production is impaired by the low productivity of labor, due to labor shortage, laxity in labor discipline, etc. These conditions can be alleviated somewhat only if the Soviet Government should regain possession of the instrument of coercion, represented by control of the food supply. But this requires a change of attitude on the part of the peasantry, which is impossible unless the Soviet Government should give up the system of "fixed" prices and the government grain monopoly. And this the Soviet Government determinedly refuses to do.

Thus, here we have the crucial point in the whole situation. Why does the Soviet Government refuse to allow freedom of trade? Because its formal control over the apparatus of distribution constitutes to-day the only thing that really remains of the whole stock of Communistic principles and methods used in the Russian experiment. To give this up means to acknowledge the final fiasco of the whole experiment. It means a complete return to capitalistic methods, only in conditions infinitely inferior than before the experiment, because of the destruction and impairment of productive forces, material and human.

When they began their career, the Communist leaders were ambitious enough to believe, or, at least, bold enough to state, that they spurned both the forms and the methods of the capitalistic system of production. As a matter of fact, they spurned neither. It is true,

that they nationalized most of the larger industrial enterprises. But that is merely the extension of the system of state Socialism that has long been familiar in the form of state railways, state telegraph and telephone system, etc.; such state monopolies existed in Russia herself under the Imperial régime. Privately owned, non-nationalized enterprises are not forbidden; they continue to exist and, if we take into account the coöperative production units which have not been broken up, we find that non-nationalized production continues to play a most important part in the whole process of the country's industrial production.

As for methods, the Communist leaders began their improvement upon the methods of the capitalist system by introducing equal compensation for all; only to give this up in favor of an extremely complicated differentiation of reward for labor. They have introduced piece work, premiums, and penalties. They began by placing management on the basis of committee work; only to give it up again in favor of single-man management.

In agricultural production, they introduced ostensibly the system of the socialization of land, leaving the methods of production as they had been under capitalism. Later on, as means to larger production, they made attempts to introduce new agrarian forms, but did not expect to get any great success out of them and did not achieve any success. The system of socialization, in actual practice, simply became a system of fixed maxima of land holding.

The distinguishing feature of the Communist economic system is in the process of distribution; not from the point of view of form, but from that of principle.

State monopolies in different phases of distribution are also no novelty. But those monopolies usually had merely fiscal importance. In the Russian Communist experiment, trade monopoly or the centralization of all functions of distribution in the hands of the Government, differs not only in its much greater extent and all-embracing nature, but also, and more particularly, in the purpose to which it is put. Its importance is no longer fiscal, but administrative in the broadest sense of that word. It is the most effective potential instrument of coercion in the hands of the Soviet Government for the purpose of controlling the various groups of population in the different phases of production.

Theoretically, too, the process of distribution has a paramount importance and significance. Socialism, taken in the broad implications of its theory, is, essentially, a movement for the perfection of economic distribution, from the point of view of both form and principle. The Marxian theory insists on the necessity of taking over the technical productive equipment of capitalism and perfecting it by means of a new system of distribution, that would be on a higher plane both economically and ethically. The Marxian Socialists who are opposed to the Communists criticize them on the point of their interpretation of the Marxian theory with regard to the time of the introduction of Socialism. The original theoreticians of Socialism do not say whether it is necessary to destroy the technical apparatus of the capitalistic system before taking it over, or not. The opponents of the Communists believe that the implication of the original theory is clear, viz., that if the technical apparatus of capitalism cannot be taken

over in functioning condition, that simply means that it is too early for an attempt to introduce Socialism. They consider that if this apparatus of production has to be destroyed or at least seriously impaired before it can be taken over and fitted for Socialistic production, then obviously, when taken over, its total productive output will be smaller than under capitalism. In such conditions the higher system of distribution, upon which rests the principal claim of Socialism, will be rendered physically impossible. The Communists, determined to put into operation their own interpretation of the original theory concerning the method in which the productive apparatus of capitalism can be taken over for Socialism, attempt to carry out the implications of the theory concerned with distribution by means of mechanical regulation from above.

What was bound to happen under the circumstances really did happen in Russia. The contraction of production in industry was actively stimulated by the Communists as a tactical step. The general disorganization in the country already produced a food crisis of considerable acuteness, the manifestations of which were the scarcity of food supply and the growth of prices for articles of consumption. Again for tactical purposes, the peasantry was let alone at the beginning of the régime as far as agricultural production was concerned. If left to itself, the situation was bound to resolve itself into a rapid contraction of agricultural production, resulting from a decreased output of those products of industry which could be exchanged for food and from the Government's policy of low "fixed" prices for food products. This was a new crisis, superinduced

upon the economic crisis already produced by the war and the revolution, and brought about directly by the Communist activities.

The Communist leaders had the wisdom to see that the point of approach in dealing with the situation was in the process of distribution; but they were scarcely wise, until it was too late to change, in the choice of the methods which they used for dealing with the situation. They relied entirely upon the expediency of the monopoly of distribution, and in the practical working out of its forms, they refused to take into account the fact that the psychology of the principal seller, the peasant, is still instinct with the effects of the law of supply and demand. It is a question of theory whether that law is really a law or only a postulate that can easily be overthrown. The Communist leaders acted on the assumption that the law is not necessarily universally operative; they attempted to introduce mechanical compulsion in its stead, and stubbed their toes very painfully.

It was probably their supreme confidence in the applicability of the tactical part of their theory that made the Communist leaders so stubbornly determined in controlling the distribution of foodstuffs by means of "fixed" prices, which appeared to the peasants disproportionately low. But there was, undoubtedly, another reason. Ever since the time when the opponents of Bolshevism began to criticize the methods of the Soviet régime, rather than its theory, they have all pointed out that the crucial point about the whole experiment of Communism was the obvious emptiness of its boast that it controlled distribution. To give up the



control over distribution, to reestablish at least to some extent the free trade that was demanded of them by their critics and opponents, would, irrespective of the wisdom of such a step, signify capitulation, an acknowledgment of mistakes that were really fundamental. The Communist leaders have been, through the past three years and are still to-day, too much of propagandists and too little of statesmen to make a step like this.

But economic processes have done their work, irrespective of the forms decreed by the Soviet régime. The shell of nationalized production and monopolized distribution now really covers the exercise of private initiative, unregulated by normal economic factors, and consequently inestimably wasteful and harmful. Russia was promised by the leaders of Communism the establishment of Socialism; instead of that, she has been dragged by her experiment in the economics of Communism to a much more primitive stage of economic development than even that low stage of capitalism on which she was before the revolution. Growing up spontaneously in the peculiar conditions presented by the system of "spekulyatsia," the exercise of private initiative in Russia has taken the form of utterly unenlightened and rapacious economic activity, so characteristic of the lowest stages of capitalistic production in an economically backward country. In the words of the writer on the causes of "spekulyatsia," whose article we quoted before,\* there is being created in Russia "a new bourgeois class, a new profiteering

\* B. Frumkin, Moscow *Pravda*, February 4, 1921.



bourgeoisie, which acquires greater and greater wealth and lives in luxury, while the laboring masses are starving.”

Numerous attempts have been made to exonerate the Soviet régime from all blame for Russia's economic disaster and to saddle this blame on the blockade and the consequent interruption of foreign trade. In the light of what has already been said in this summary, let us see what would have been likely to happen if there had not been any blockade. Foodstuffs could not be brought into Russia in anything like the quantities that were needed. The food crisis of greater or lesser degree of acuteness existing in practically all the countries of Western Europe is the best proof of that. Possibly in some of the larger cities the situation might have been temporarily improved. Nor could manufactured goods be brought in in any great quantities: the anti-Bolshevist territories had not been blockaded, yet the shortage in manufactured articles there, both in Siberia and in South Russia had been chronically almost as acute as in Soviet Russia. But let us imagine, for the sake of argument, that certain amounts of manufactured goods could have been brought in. What would have happened to them?

These goods would have been stored in the Soviet warehouses, pending their distribution. Is there any reason to believe that the administration of these warehouses would have been any better than it actually has been under the Soviet régime, as we have described it to be in the chapter on Management? What would there have been to make warehouses containing foreign goods more secure from looting for purposes of “speku-

lyatsia" than warehouses containing home-made goods? That part of the manufactured goods, imported from abroad, which would not have been stolen, would be offered to the peasants in exchange for their food products. But since grain monopoly with its low prices offered to peasants is a matter of Communistic honor and personal ambition for the leaders of Communism, rather than of policy and wisdom, where is the assurance that the peasants would be offered more for their grain than otherwise? And certainly the peasant would be just as loath to accept five roubles' worth of foreign goods as he has been to accept five roubles' worth of home-made goods, for a poud of rye, if he thinks he is entitled to twenty-five roubles' worth of goods for it.

From our analysis of the raw materials and the food supply situation it is clear that even if there had been no blockade, Soviet Russia would still not have been able to export anything and would, therefore, have nothing with which to pay for her imports. A concrete proof of the correctness of this may be found in the following data concerning Soviet Russia's actual foreign trade during the months of April, May, and June, 1920, when she began to trade freely with Esthonia and when, consequently, the blockade was actually non-existent: during that period, according to the *Ekonomicheskaya Zhisn* of July 17, 1920, Soviet Russia imported through Esthonia 1,434 carloads of manufactured articles and supplies, while her only exports were 141 carloads of flax. Transportation obviously had nothing to do with this phase of the situation: the same cars that carried goods *from* Reval could have carried goods *to*

Reval. But there was nothing to carry. During the time that Russia did not trade with the outside world, she also did not produce.

The civil war and the blockade which was the result of it may account for some of Russia's hardships. But certainly, no blockade can account for the hostility towards the Soviet régime on the part of the peasantry, or for the dishonesty and the deliberate inefficiency of the managing personnel in industry, as well as the refusal on the part of the workmen to maintain at least the minimum standards of production. Yet it is these conditions that have brought the Soviet régime to the blind wall of constantly decreasing production in both industry and agriculture. And the only way out of this situation that the leaders of Russian Communism can devise is the application of force.

The whole economic situation in Russia may be represented in the following manner: all branches of production feed the stream of distribution, but in ever increasing quantities of water. Normally this stream is regulated by means of levees along its banks. The Soviet Government has introduced a new factor of regulation, in the form of a dam thrown across the stream. But it has proven to be a poor engineer, for most of the dam is higher than the banking levees. So only a small part of the water in the stream flows over the dam, while most of it overflows the banks and seeks its own channels in an unregulated and undirected manner. Yet the engineer stands there, admiring his work, assuring himself that somehow or other things would turn out for the best, and refusing with all the determination of fanaticism to change his work.

Whatever the Soviet régime was at the beginning politically, it is now openly and avowedly a dictatorship of the Communist Party, i. e., of what is defined by the doctrine of Communism, as the active and determined minority of the proletariat. Whatever it hoped to be economically, it is anything but the "workman-peasant" authority, as it still styles itself with pride. It has alienated itself from both workmen and peasants. It has to apply to both a constantly increasing pressure of sheer force. It has created for itself a support consisting of two privileged classes, the officialdom and the army, the privileged condition of which is bound up with the continued existence of the régime itself. Whatever it calls itself and whatever it pretends to be in theory, it is precisely what the Marxian theory calls a force, placed above society, and striving constantly "to alienate itself from society as a whole." As far as this is concerned, the Soviet régime has merely become transformed into that feature of the capitalistic society, against which the principal invective of the Marxian criticism is directed most strongly.

But it has been the régime in Russia, politically and economically, for over three years, and though its end may come any day, it is still in power. During the period of its existence, the Soviet régime has destroyed much and built very little. That so much has been torn down and so little built up at so critical a period, is a great misfortune for Russia; yet there is consolation in the fact that, despite the appearance of utter ruin which has attended the Soviet régime, the destruction has not been as great, fundamentally, as might be supposed. This is a very important fact in connection

with the possibilities of Russia's economic reconstruction.

In industrial production, much of the basic technical equipment has been destroyed. But while the extent of this physical destruction is not known with any degree of precision, there is no doubt that a considerable part of the technical equipment of the Russian industries can still be operated, in most cases, of course, after more or less serious rehabilitation and repair. The main difficulty is with the human element, both in labor and in management. Under Communism, the Russian industries have become practically stripped of their manpower. The Soviet régime can find no means to bring back this human element. The directing personnel is either abroad, or in hiding, or passively resistant through refusal to give good work. A very large part of the rank and file of labor has fled to the rural districts in search for food. No measures of militarized compulsion have been found effective to force them to return to work.

From the point of view of the Soviet régime and the problems that confront it, this disappearance of the human element in production is disastrous. The inability on the part of the Soviet régime to overcome this difficulty renders futile all the rest of the work it attempts to do. The alternative to a further development of this disastrous situation is the giving up of the principles of Communism.

But from the point of view of Russia's economic future, the fact of the flight of the workmen to rural districts holds no particular terror. On the contrary, in a sense, it is a favorable circumstance. Life in the



Russian cities under the rule of Communism has become one continuous nightmare of terror, oppression, and privations, which stupefy and demoralize the victims of this régime. The workmen who have fled to the rural districts will escape a considerable part of this demoralization, as well as preserve their physical health better than they could have done in the cities. All these workmen will return to the industrial centers, when life there becomes bearable again. And when they return, they will be better fitted for the stupendous tasks of reconstructive toil which will confront them after the years of wasteful saturnalia, than their fellows who had been forced to remain in the cities.

Another circumstance, while constituting a glaring discrepancy of the Soviet régime, is also a favorable factor of the future reconstruction; it is the inability of the Soviet régime to break up the producers' coöperative organizations. Large-scale production in Russia, disorganized and thrown out of gear by the experiment in Communism, will require some time to be fully operative again. But the small-scale, "kustar" production, carried on mostly on a coöperative basis, can be available all the time. Under Communism, the coöperative production is subjected to numberless stages of control which stunt its growth. After Communism, it can blossom out and, at least temporarily, fill the gap left by the disorganization of large-scale production.

Finally, in agricultural production, the helplessness of the Soviet régime in foisting upon the peasants the forms of the agrarian and agricultural arrangements which are required by at least the minimum of the Communistic theory, is quite patent. Left undis-



turbed in their possession of the land and given a free market for their products, the peasants will soon enough be able to turn to account the resources in their possession.

Thus the three huge stumbling blocks in the path of the Communistic experiment, viz., the inability of the Soviet régime to maintain living standards for labor and to keep it at work; its failure to break up small-scale production; and its helplessness in the face of the peasant opposition, are really the keystones of Russia's future economic reconstruction.

Russia's economic resources are so vast, that even the destruction wrought by the experiment in Communism can be made up in a comparatively short time. But before this process of repairment can set in, one of two things must happen: either the Soviet régime will give up its Communism in the processes of production and distribution, or else it will be overthrown. Since the Soviet régime must admittedly lose its identity and rapidly disintegrate if it should give up such potent and indispensable instruments of Communism as the terror and economic compulsion, the first alternative is, in the final analysis, the same as the second.

So far, Russia's experiment in the economics of Communism has demonstrated primarily two things. The first is that a deliberate stimulation of the disintegration of productive relationships is bound to induce in the human element of production a negative attitude towards the fundamental processes of economic production. This cannot but result in a progressive decrease of production and a constantly growing impairment of productive forces. The second is that no

amount of mechanical regulation and physical compulsion can take the place of a positive attitude towards production and of lost productive forces. The experiment and the régime which is responsible for it show unmistakable signs of their approaching liquidation. It is for the process of economic reconstruction that is bound to come in the wake of this liquidation, to demonstrate to the world, panting in its own huge efforts of economic reconstruction, that even out of ruin and despair an economic structure can be reared, founded upon work and cemented with social justice—provided that human life and human freedom are not sacrificed to unscrupulous greed or crushing, dead dogma.



## APPENDIX

### I. LIST OF UNFAMILIAR TERMS

*Agricultural Association*—a group of peasants, banded together for collective tilling of land, on the basis of collective effort, but individual ownership of the means of production.

*Agricultural Collective*—any group of peasants, banded together for collective tilling of land; *cf.* "Agricultural Association," "Rural Commune."

*Artel*—a group of workmen, undertaking to do a given piece of work for stipulated compensation, which is then divided among the members of the group.

*Center*—a department of the Supreme Council of National Economy.

*Central Executive Committee*—the executive body of the Congress of Soviets, acting as the legislative body for Soviet Russia in the intervals between the meetings of the Congress.

*Centrosoyuz*—formerly, a contraction for the name of the central executive body of the consumers' coöperative organizations; under the Soviet régime, the administrative organ of the coöperative movement, reorganized as a part of the Soviet Government.

*Collegium*—an administrative committee for the management of an institution of Government or a nationalized enterprise.

*Committee of Poverty*—an administrative body in a village community, elected by the poorer elements of the population; cf. "village poverty."

*Council of National Economy—local*, the administrative organ for the nationalized industrial enterprises of a given territory; *Supreme*, the central administrative organ for the whole system of nationalized industry of Soviet Russia.

*Council of People's Commissaries*—the cabinet of ministers under the Soviet régime.

*Extraordinary Commission*—commission created for a special task, e. g., to combat sabotage and counter-revolution, to promote work of railroad repair, etc.

*Factory Committee*—group, elected by workmen in each factory; at the beginning of the Soviet régime, to manage the factory; later on, to act as the local organ of the trade unions.

*Fixed Prices*—terms of purchase or sale set by the Government.

*Free Market*—system of private trade, or place where private trade is carried on; as compared with trade, monopolized by the Government.

*Free Prices*—terms of purchase or sale prevailing on the free market.

*Glavki*—departments of the Supreme Council of National Economy.

*Glavkokratia*—term, denoting inefficiency in industrial management.

*Gomza*—abbreviated name of the State Association of Metallurgical Works, a group of the largest foundries in Russia, nationalized by the Soviet Government.

*Government*—name used for a territorial division of Russia, similar to a province.

*Kulak*—literally, “a fist”; name applied to the more prosperous class of the peasantry.

*Kust*—name given to a group of nationalized enterprises in the same branch of industry within a given territory.

*Kustar*—small-scale home production of simple manufactured articles.

*Labor Army*—a body of men placed in conditions of military discipline, but used for work in agriculture, industry, or any other branch of economic life at the discretion of the Government.

*Labor Deserter*—any person who refuses to perform set duty in a labor army.

*Middle Peasantry*—name given to the bulk of the peasant population, occupying a stratum between the richer and the poorer classes; cf. “kulak” and “village poverty.”

*Militarization of Labor*—a system, under which the whole labor supply of a country is placed under the complete control of the state, in precisely the same way as an army.

*Nationalization*—a system, under which the state takes over, for purposes of ownership and management, factories, banks, stores, etc.

*Open Market*—see “Free Market.”

*Premium*—extra compensation offered in industry to workmen or managers for increased productivity.

*Rural Commune*—a group of peasants, banded together













